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CO-OPERATION



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TORONTO



ROBERT OWEN
The Prophet of Co-operation

CO-OPERATION

THE HOPE OF THE CONSUMER

BY

EMERSON P. HARRIS

PRESIDENT, MONTCLAIR CO-OPERATIVE SOCIETY

ASSISTED BY

EDGAR SWAN WIERS AND FLORENCE HARRIS

New York

THE MACMILLAN COMPANY

1919

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Set up and electrotyped. Published March, 1918.



**THE TOILERS OF AMERICA,
MANY OF WHOM KNOW UNDESERVED WANT
THROUGH THE REDUCTION OF THE PUR-
CHASING POWER OF THEIR HARD-
EARNED DOLLARS BY OUR WICKED
AND WASTEFUL MERCANTILE
DISTRIBUTIVE SYSTEM
THIS BOOK IS DEDICATED**

FOREWORD

All my life I have felt that the consumer was at an unfair disadvantage in buying.

When, for eight years beginning in my teens, I owned and ran a country store, I never quite saw the equity of concealed profits which, on some things, were several times the percentage they were on others.

In my twenty-odd years of advertising and publishing, and several years of editing a magazine devoted to sales promotion, I have always thought that the final consumer was treated too much as a mere incident, that he had too little voice.

Always in my own buying I have felt a discontent with my total ignorance as to how much I was paying the merchant for the distributive service he performed for me. Perhaps he was getting but five per cent of the retail price, perhaps sixty per cent.

Buying gives one a sense of bondage because of the inability to get unprejudiced information about any article which he contemplates buying. The only party who knows the facts is biased by the quest of profit.

When, in 1911, in a lecture by Prof. John Graham Brooks, I was reminded of co-operative buying it at once appealed to me as a way out. The same year I went to Europe and visited some of the co-operative stores, and have been a student and disciple ever since. That there is great promise to consumers in the plan I have no doubt.

My assumption of ability to write on the subject is not based upon my superior knowledge of co-operation, but it has seemed to me that my business of storekeeper, publisher of advertising periodicals, and editor and writer on advertising and selling have given me an all-round point of view which is helpful in getting a broad conception of

the problem and setting it forth sympathetically, if not adequately.

I am greatly indebted to many people for information and help. Of these I especially wish to acknowledge my obligation for much information and inspiration to Edgar Swan Wiers, who may be regarded as an important prophet of co-operation, and to my daughter, Florence Harris, for her sympathetic interest and insight which have made her suggestions and revision exceedingly valuable. I am also indebted to Mr. George Keen, Honorary Secretary of the Canadian Co-operative Union, Mr. E. Ames of San Francisco, Mr. N. O. Nelson of New Orleans, and Mr. E. M. Tousley of Minneapolis for reports on co-operation in their respective sections.

Thanks for courtesies are also due to Mr. John Gledhill, for many years manager of the English and Scotch Wholesale branch in New York, Mr. Percy Redfern, editor of the *Wheatshaf*, Henry J. May, secretary of the International Co-operative Alliance of London, and Scott H. Perky, Secretary of the Co-operative League of America.

EMERSON P. HARRIS.

Montclair, N. J.,
February, 1918.

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INTRODUCTION

Mr. Harris could have chosen no happier moment for his message than the present. The form of co-operation for which he pleads has never appealed with any real force to the American business sense; its savings seemed too insignificant, its range too narrow and its management too insecure.

The consumer has been "the forgotten man." From big business down to obscure quackeries he has been fleeced almost without protest. Into this conspiracy of ignorance, wastefulness and sharp practices, the shock of war has come. The awakening is rude but the consumer has got the stage. Already millions of us are looking back wondering at the slavish acquiescence with which we took our punishment. We are most amazed perhaps that we should have submitted to methods of *secrecy* which have been as mischievous in business as in diplomacy.

The world's outcry against "organized lying" between nations is seen to apply as aptly to these hidden practices in business.

To the awful vibrations of war we owe it that the consumer public is, in this respect, coming to its rights. The consumer will never again be so easy a dupe. It is not only governments, but the most masterful business men that now become our instructors. One of them has just said in Washington, "The public has a right to know the real facts about its purchases." From the start this has been the contention of the Consumers' League.

Mr. Harris is wise in laying such emphasis on these points and doing it through clear and concrete illustrations.

The Foreword in the present volume shows his admirable equipment for his task. To have long and successful business training together with a singularly open mind is

a preparation extremely rare among writers on co-operation in this country.

If we add to the modest estimate in the Foreword the author's years of experience with a co-operative store, the reader is freed at once from all fear that he is to have another sentimental handling of this subject.

The study is enriched by the author's knowledge of the English movement and its immense progress since 1914. We are kept consistently to the point of view which avoids the foggy intermixture of business ventures called co-operation but which in no sense deserve the title. It will mark a new and hopeful stage to have what is clearly and distinctly a consumers' movement marked off and considered on its own merits.

We shall be more indebted to the author for his fearless acceptance of *social utility* rather than private profit as the first and leading motive in wealth-production. To turn that thought into a national habit would go far to recompense us for the devastations of the war.

To work consciously for service and for *use* is the highest, as it is the most inspiring aim of the consumers' movement.

JOHN GRAHAM BROOKS.

Cambridge, Mass.

SYNOPSIS

With our present system of transferring goods from the producer to the consumer there is very general dissatisfaction, and with the rapid loss of confidence in competition as a means of protection to consumer or producer the discontent with the workings of the system increases.

This book points out the chief evils and faults of present distribution, locates the fundamental cause, indicates a remedy, tells why it will work, how to apply it, and gives some evidence that it will work.

In the first part the system is indicted on four counts. First, it is claimed that, through aggressive selling methods, including advertising and salesmanship, goods are forced upon the consumer to his detriment, and that while he is charged some two billions of dollars for pushing goods upon himself and then made to pay for needless purchases,—he is not, under present practice, afforded adequate facilities for making wise choice.

Second, the present system brings such constant pressure upon the dealer to induce him to debase goods and give short measure that no amount of regulative laws and supervision will suffice adequately to protect the consumer from frauds by which he is now the loser by hundreds of millions per year, a loss which falls most heavily upon those least able to bear it.

In the third place, it is pointed out that under present mercantile distribution certain expenses are incurred which the consumer must bear, but which do not procure him any useful service, and that the system is so organized that there is no proper incentive to eliminate these and other needless expenses. This makes the system excessively costly to the consumer.

It is shown that the relationship between dealer and

dealer, and between dealers and consumer are such as to produce certain anti-moral, anti-social and anti-economic results.

In the second part of the book it is urged that all these evils of the present distributive system are due to one fundamental cause: namely, the competition for profit which motives and propels the machinery of distribution. The position is taken that, by reason of this motive, the evils of the present system are not merely abuses but are inherent in the system, and that only the removal of the profit motive can lead to a thorough-going remedy. The effort is made to show how and why co-operative buying furnishes the radical remedy.

In Part III directions are given and suggestions made for the application of the remedy, namely, Rochdale co-operative buying.

The fourth part is devoted to an account of the Rochdale plan as it has proven out in Europe, discussion of the indications that the plan can be successfully applied here, together with suggestions as to how a substantial co-operative buying movement may be launched and promoted in this country.

PART I

THE FAILURE OF OUR MIDDLEMANISM

CO-OPERATION THE HOPE OF THE CONSUMER

CHAPTER I

ADVERTISING AND SALESMANSHIP VS. THE CONSUMER

"Why spend ye money for that which is not bread and your labor for that which satisfieth not?"—ISAIAH, 55:2.

Wherein and how far does the present system of distributing commodities meet the requirements of an ideal system, judged by its service to the individual and its influence upon society? For the purposes of this work it is necessary to make a broader inquiry into the workings of our present system than most writers undertake.

To begin with, the individual in whose behalf this study is made must be treated not merely as a consumer, but also as a man. From his first moment of life he is a bundle of vague wants, each seeking to become conscious and get satisfaction. Within this growing multitude of desires, a smaller and smaller proportion succeed in coming to the top, and fewer still will be satisfied. Which particular wants are given a hearing and encouraged and which are to be suppressed is the most important question in the man's life; upon his choices—a long series extending throughout the span of his life—development and character depend.

Now it is essential that the individual study himself and the world in order to learn to guide and govern the stirrings within and the stimuli without.

To this end he is exposed to the influences of home and school training through a prolonged childhood and youth, and to the church and other institutions and factors which make for enlightenment and uplift. Society aims so to fortify the individual with a wealth of information and varied interests that he can make his choices with skill and intelligence.

Education to help him choose wisely I take it that the individual seeks in life the largest possible total of satisfactions. He seeks not only to gratify existing wants but to acquire new wants, the gratification of which will make for ever wider, deeper and fuller life. Perhaps the most important problem in life is to know what wants to seek to gratify, what ones to deny, and in what direction to seek to stimulate new wants. Some of man's wants are physical, some intellectual and some spiritual. Undoubtedly the interests of the individual depend upon being freely allowed to develop in the direction of his highest good. And in this he should not be unnecessarily hampered or swayed.

A minimum of food, clothing and shelter is imperative if one is to exist. Beyond this necessary minimum—and this is smaller than most of us realize and could be materially reduced in cost by wiser selection—comes the great realm of choice. The absolute essentials to the maintenance of health and strength should be bought for an amount which is within the earnings of about the lowest paid classes in the United States.

Beyond the provision of this minimum it rests with the individual to decide in what direction he will seek the gratification of existing wants and the development of new ones. In the "pursuit of happiness" one may prefer idleness, another sport, another science, another history, another art, another music, others may seek contact with nature, and still others seek to study and develop their relations to their fellows or to the Infinite.

Some people will seek satisfactions which have to be produced by labor. Some will thus look exclusively to *things* for their satisfaction while others will not. Many of

us so order our lives, or at least live lives, that consist wholly of producing or earning things and then consuming them. Our whole time is given either to getting things or to using them. As we have seen, we seek life through two channels: that of the consumption of commodities obtained by purchase, and that of the enjoyment of good things unrelated to money value—emotional, intellectual and spiritual benefits. An ideal system of bringing purchasable commodities to us would so enlighten us about them as to enable us to choose wisely what to buy, and would do so without unduly magnifying their importance as against those goods which may be obtained irrespective of one's spending power.

In view of the importance of acting wisely it is well to inquire what external influences help to mould these decisions and whether any of these are adverse to the well-being of the individual.

The individual is guided largely by the customs of the time and society into which he is born. How far do any of the institutions through which he lives conduce to "high thinking and plain living," or the reverse? Shall undue heed be given to material wants at the expense of the intellectual and spiritual? Shall it be true that "*things* are in the saddle"? Or shall a man "see life steadily and see it whole"?

Specifically, what influences are exercised over the action and so over the life of the individual by the present system of commodity distribution?

In the last fifty years there has grown up, notably in the United States, a system of distribution which, in my opinion, is calculated to influence and does influence the ideals and habits of the people very profoundly. This system does not confine its functions to *furnishing* what it is found that the consumer wants, but exerts a subtle but powerful and far-reaching influence in *determining what the consumer shall want* and what he shall buy.

Adverse influence of present system

In the days of hand production our grandparents sought

the producer to obtain that which would satisfy their simple wants. Now the producer, through advertising and other persuasive salesmanship, pursues the consumer so actively that the consumer has become relatively passive or is even on the defensive. The consumer does not, **Consumer on** as of old, of his own initiative go to buy; he **the defensive** merely consents to buy when he is importuned to do so. This pressure is applied by scientific means and with tangible results discussed later.¹

So it has come to pass that, in spite of society's effort to encourage and educate our power to make independent choices, whether we will spend our money or not and what we will spend it for depends largely upon the will of the producers and distributors of commodities by whom we are assailed. We consumers are about as unconscious of this influence as we are of increased pressure of the atmosphere when we descend from the mountain to the valley, but the facts are fully demonstrated by figures.

I claim that, through this influence of aggressive marketing, consumers are caused to buy when they should not spend their money; are caused to buy wrong things instead of things suited to their needs; are distracted from choosing wisely and are afforded insufficient facilities to aid in wise selection.

Persuasive Salesmanship

How does the producer's distributor cause people to buy? By a study of the laws which govern the human mind **Subtle** methods have been evolved whereby, through **methods of** the use of advertising and other forms of sales- **modern sales-** manship, the consumer's undefined wants may **manship** be fanned into specific desires. Seizing upon one of these

"¹ As things are at present the manner in which we spend our money is a matter in which we are swayed less by intelligence than by habit and convention and sheep-like mimicry of one another, tempted by weak-minded submission to the bullying of the adviser."—Hartley Withers: *Poverty and Waste*, page 149.

vague, restless yearnings, the producer's distributor develops it into active commercial demand for his product; and a large enough percentage of the public responds to make the process decidedly profitable.

To illustrate: The maker of a talking machine plans and carries out a campaign of advertising and salesmanship covering some years. The result is that enough people all over the country have developed within them a strong enough desire for a talking machine to cause them to buy, so that large additional works have to be built to supply the demand thus created. The same thing is done by the maker of an automobile, a cigarette, a piano player, or a certain brand of whiskey.

In creating demand some interesting principles of psychology are taken advantage of. For instance, when a certain article is repeatedly brought before the mind and reasons for buying it are given, the reader tends to act as he is urged to do. Even the command to "Drink so and so" the reader tends to act upon unless he consciously combats the suggestion. "Every normal individual," says Prof. Walter Dill Scott,¹ "is subject to the influence of suggestion. Every idea of which we think is all too liable to be held for truth, and every thought of an action which enters our minds is likely to result in such action. . . . The very thought of walking will inevitably lead to the act unless I stop the process by the thought of standing still. . . . Thought is dynamic in its very nature and every idea of an action tends to produce that action."

Suggestion
the potent
force under-
lying adver-
tising

How many of us are aware that the bill board display advertisement or street car card are acting upon us and that, in a considerably proportion of cases, we are to act in turn, buy the article advertised and become one of the thousands to justify the advertiser and return him a profit.

"The actual effect of modern advertising is not so much to convince as to suggest. . . . The individual swallowed up by a crowd is not aware of the fact that he is not exer-

¹ Walter Dill Scott: *Psychology of Advertising*, pages 82-3.

cising a normal amount of deliberation. His actions appear to him to be the result of reason, although the idea as presented is not criticised at all and no contradictory or inhibiting idea has any possibility of arising in his mind. In the same way we think that we are performing a deliberate act when we purchase an advertised commodity, while in fact we may never have deliberated upon the subject at all. The idea is suggested by the advertisement and the impulsiveness of human nature enforces the suggested idea, hence the desired result follows in a way unknown to the purchaser." ¹

Now, some of us would be disposed to deny the statement that we do not habitually use our reason in buying, but the statistics of advertising returns are **We do not habitually use our reason in buying** against us. On this point Scott says: "Suggestion is of universal application to all persons, while reason is a process which is exceptional even among the wisest. We reason rarely, but act under suggestion constantly. . . . Every idea of a function tends to call that function into activity, and will do so unless hindered by a competing idea or physical impediment. . . . The command relieves the one commanded of the trouble of making up his mind. It makes up his mind for him and so makes action easy." Nor does a short memory shield the consumer, for "to say that an advertisement is forgotten is not equivalent to saying that it has not made a lasting impression. If I should glance at the same advertisement in different magazines for a number of years, it is quite possible that these single glances would be forgotten. I might not remember even having seen an advertisement, and yet my familiarity with the goods advertised might seem so great that I should believe that some of my acquaintances had recommended them to me and that I had used the goods years before." ²

¹ Walter Dill Scott: *Psychology of Advertising*, page 103.

² In his work *Advertising and Selling*, Prof. H. L. Hollingsworth of Columbia University treats the same subject in a similar way under such headings as: "Catching the Attention," "Holding the Atten-

Further, to show the scientific manner in which it is sought to influence the mind of the reader, the late Prof. Hugo Munsterburg, writing in *Printer's Ink*, cautions advertisers against permitting any distraction of the mind. He even discourages pretty pictures in advertisements on these interesting grounds:

"If we are really enjoying beauty we are cut off from the world of action, we are perfectly satisfied with the beautiful sight. The two inner settings, the practical one which the skilled advertiser wants to force on us, and the esthetic one which the painter awakes must oppose each other. The one stirs up our wishes and the other brings all wishes to silence.

"If the row of good teeth is really to recommend the tooth-powder, the picture of the woman whose smile shows them must not fascinate us like a perfect painted portrait. The esthetic element in advertising must remain entirely subordinated to the practical aim or it will interfere with its efficiency." Is not the implication here rather plain that modern selling machinery aims to inhibit the consumer's power of free choice, to put to sleep all parts of him except his desire to buy?

The purpose of advertising and salesman-ship is set forth in the following program: First, attract the consumer's attention; second, awaken his interest; third, create desire; and, fourth, move to action. Appeal first to the perceptive faculties, second, to the intellect; third, to the emotion; and fourth, to the will.

Sales methods
aim to
(1) Attract
attention
(2) Awaken
Interest
(3) Create
desire
(4) Move the
will

How much of this work upon the consumer the advertisement shall do depends upon many things. But wherever advertising leaves off, personal salesmanship with all its training, devices and accessories takes up the work. And, says the *Christian Register*, "for the trained modern salesman with all his art the consumer is no match."

tion," "Fixing the Impression," "Laws of Suggestion," "Provoking the Response."

Let us see what a well-known and very effective course in salesmanship ¹ is teaching its students.

Salesmanship it defines as "the power to persuade people to purchase product at a profit." "Your object is to persuade the will of the one to whom you are speaking. Your object is to get him to decide and act as you want him to decide and act. . . . You must also make him *feel* that he wants them" (the goods). . . . The customer should not be permitted to control the interview, keep him on the track. . . . Force the wedge in gently. Be modest and moderate in your claims at the start." It goes on to point out that the salesman must have analyzed his goods, studied human nature and the particular customer, and then sympathetically built up a selling story which is calculated to win. This is to be given in Introduction, and First, Second and Third Selling Talks. The price is to be kept in the background until the close of the first selling talk.

"But when you have stated your case succinctly and completely, then you can bring your selling talk to a close and extend the opportunity to buy, somewhat like this: 'Now as to price and terms, the total is only . . . dollars and the terms (in case of an instalment offer or time bills) are very liberal indeed (here state the terms)!'

"There is a great deal in the way you say such words as 'only.'

"Be positive—Do Not Waver.—Many salesmen act at this point as if they doubted the customer's willingness or ability to pay the price. If the salesman thus doubts, the customer is very apt mentally to echo his doubt and then the customer will also doubt himself.

"Be positive, not only objectively but subjectively.

"Permit no doubt to enter your mind or be reflected in your voice or manner in any way."

Here are some fine points on closing a sale:

"In retail salesmanship, where no order has to be signed,

¹ Arthur Frederick Sheldon: *The Science of Business Building*. Chicago.

the tactful salesman, having presented the merits of his goods through a brief first selling talk, possibly one involving only two or three points, can generally clinch the purchase by indirect suggestion, something like this:

"Shall we send this out, Mrs. Blank, or will you take it with you?"

"Or, in cases where the goods are not delivered, when you feel that the psychological moment has come, pick up the article at which the customer has been looking, set it to one side and inquire, 'What else do you desire to-day?'"

"A student in the retail business sends us the following suggestions which clearly illustrate this thought. And you note how they helped to make better sales and to save much time:

"As a shoe salesman in a store, when a customer was deciding between a \$3.50 and \$4.00 shoe, I would pick up the \$4.00 pair and say, 'Shall I wrap them in paper or put them in a box?' This ended the sale every time I tried it.

"As a clerk in a grocery store, when a customer was deciding between a 75¢ and \$1.00 article, I would pick up the \$1.00 article and tear a piece of paper off a roll at my side. Without my saying a word the customer would invariably say, 'I'll take that one,' pointing to the one in my hand.

"These and like indirect suggestions can be profitably used by the retail salesman at the close of his first selling talk."

There is nothing exceptional in this author's attitude toward salesmanship. Here are passages from the same source which are not unlike the writings and point of view of the average sales promoter.

Advantages of the Salesman's Position.—You have come into court ready with your case—thoroughly prepared. The customer, on the other hand, is likely to be ignorant of the merits of the subject. The trial should, therefore, be a one-sided action, which means that you should win the verdict simply because of your thorough preparation.

"When I advise you to fortify your mind against the influence of a customer's adverse suggestions, not to listen to his tales of woe, etc., but to batter down every argument that hinders the sale, I take it for granted that through previous counsels and instructions you are an accurate judge of character as well as a just man and hence will not abuse the powers you possess. You can make a man think with you if you work on his feelings or higher nature, even though you run counter to his ordinary judgment. If in this way you overshadow his reason sufficiently, you can spur him to almost any action of which man is capable." ¹

To treat of the application of these principles to the business of causing people to buy what and where they would not otherwise buy, a number of important periodicals and numerous books are published. Indeed, a very considerable technical literature has grown up and several important and well-paid vocations have been developed.

We buy what we are told to buy The fact is, we are told to spend our money and we spend it; told what to buy and we buy it. To what extent is this so?

About one billion dollars is spent in this country annually on advertising.² The amount has grown steadily

¹ "Some salesmen try to get their customers in the 'yes saying' attitude of mind. They start in by making a remark that they are sure will bring an affirmative response, a 'yes' or an affirmative nod of the head. These are followed by other remarks more directly related to the qualities of the goods and all inciting 'yes' from the customer. The customer thus gets into a favorable affirmative state of mind. This is nearly always pleasurable and a final decision to buy comes much more easily than when the customer has been given the chance if not the suggestion to make objections and negations about the goods. . . . The salesman answers as many objections as possible before they are made. He does so in this way: he states the qualities and uses of the goods so clearly and completely as to cover the objections if made, but he does not suggest any thought of the objection itself."—Paul H. Nystrom.

² In other words, one dollar is spent for "educating" consumers in what to buy, where a little over seventy cents is spent for all other

for a generation.¹ And we may be sure that distributors would not spend money for advertising to tell people to buy and what to buy unless enough of the public acted upon the advice to make the expenditure profitable.

**Expenditure
for persuasive
selling**

Nor is this all. To the billion dollars spent on advertising must be added all oral and other kinds of persuasive salesmanship, amounting to perhaps as much as another billion dollars, or a total of two billion dollars—around ten per cent of all that is paid for articles bought at retail,—or more than twice the estimated total cost of education in this country in 1913.

Now this means that a demand for advertised articles is created amounting to billions of dollars per year, a demand which would not exist for these specific articles but for these high pressure, adroitly exercised and far reaching sales methods. The money to buy this enormous output is either earned by the consumer for the purpose or sub-forms of education, including elementary and high schools (public and private), universities, colleges, professional and normal schools.

GENERAL STATISTICS OF EDUCATION, 1913

<i>Classification</i>	<i>Enrollment</i>	<i>Estimated Total Cost</i>
Public elementary schools.	17,474,269	\$457,386,423
Public high schools	1,134,771	64,159,952
Private elementary schools.	1,500,518	50,896,576
Private high schools	148,238	13,949,106
Other public and private secondary sch'ls	83,813	13,098,033
Universities, colleges and profess'l schools.	266,815	80,535,110
Normal schools.	94,455	14,956,005
		<hr/>
		\$704,082,295

¹ Table showing comparison of receipts of newspapers and periodicals from advertising and from subscriptions and sales:

Subscriptions and Sales

1880.	\$ 49,872,768.	\$ 30,136,306
1890.	72,343,087.	71,243,361
1900.	79,028,483.	95,061,127
1909.	135,063,043.	202,533,245

tracted from savings or deflected from buying some other article. Is not the social influence of this artificially created demand worthy of study?

If space and the scope of our discussion permitted, I should give proper credit to advertising for rendering valuable service in many ways. But it is not my purpose at this time to discuss all the advantages and disadvantages of the advertising and persuasive salesmanship order of distribution, as it would lead us too far afield for the purposes of this book, which are to set forth what seems to me the anti-social influences of advertising and to suggest a remedy.

On the other hand, however, I might in passing point to the aggressive nuisance of certain display advertising. From this there is no escape. The big words **The nuisance of bill board advertising** on the bill board, in the street car and even in the newspaper catch the light rays and pound them back onto the retina whether the reader will or no. As I ride from my home across the Jersey meadows, or by train to Philadelphia, I must refrain from looking out of the window if I would think my own thoughts. The bill boards cut off the landscape and force me to read about tooth paste and whiskey. Think of this waste of human attention which the individual is powerless to avoid! For, of the thousands of people assaulted by this boisterous aggressiveness, only a small fraction are to respond to the appeal. The balance have their time, attention and strength stolen with no redress. When people come fully to realize how unjust this obtrusiveness is, how it is really no better than to constantly interrupt and annoy a person who is helpless, it will cease to be profitable to the advertisers because of the resentment of the public.¹

¹ "Just now the chief idea in this sort of advertising (sign boards) is vociferocity. The making a huge din, however, would render the perpetrators liable to prosecution for being a public nuisance. At present, they disregard the fact that the eye is as sensitive to discords as is the ear. Had not the common law taken the auditory sense under protection we might possibly now have the equivalents of myriads of

But these grosser abuses of the aggressive selling system are not as socially damaging as the unwilling distraction and the characterization of so much of our environment by the sordid slant.

Wisest Choice Impossible Under the Aggressive Selling System

First, then, it does not seem to me to be a matter of any doubt that the aggressive advertising method of pushing products must, from the very nature of the case, stimulate an artificial and false estimate of buyable goods, and unjustifiably magnify the importance of *things* in the economy of life.¹ Each

Causes false estimate of things.

boiler-shops calling the attention of passers along the highways to the merits of all sorts of wares, with megaphonic phonographs, steam calliopes, and other appalling acoustic devices. But that is precisely the sort of thing that thousands of advertisers all over the country are doing to the eye. . . . The time will undoubtedly come with us, as it has in various other parts of the world, when to affront the eye of the public in such ways will be just as indecent as would be an endeavor to attract public attention by sending a powerful stench to greet the nostrils of the people that pass. These unsavory-looking things smell to the eye. . . . When the people are enjoying the charms of nature they do not want to be reminded of the ills of flesh or of various other things to which these advertising monstrosities call attention. . . . The fact cannot be too strongly emphasized that such advertisers are possessing themselves of values created by enormous outlays for purely public purposes, and are utilizing these values in a way detrimental to the public interest."—Sylvester Baxter: "The Nuisance of Advertising," *Century*, January, 1907.

¹ Unluckily, the arrangement by which labor is remunerated in money wages has developed in many a habit of mind which occasionally leads to very erroneous notions concerning the elements of general well-being. Because for so many things we depend on exertion which has to be directly purchased, and because it is convenient to estimate the value of these services in terms of the currency, people are apt to forget that a very large part of the things that minister to happiness bear no price at all,—bracing air, fine scenery, cannot be sold by the gallon or the square inch, but they form as real a part of the riches of the community that commands them as fine wheaten loaves or dainty

advertiser and seller recommends the purchase of his particular wares, but the voice of thousands of advertisers is united in the chorus which appeals to the public to *want, seek, and buy things*. It is entirely demonstrable that the aggressive pushing of a particular product creates a demand for that product approximately proportionate to the expense of the campaign. If, then, all distributors have one refrain in common, namely, "Buy things," can there be any doubt of the result?

Can such enormous influence do otherwise than conduce to materialism and, therefore, away from the life of the intellect and the spirit? There is no advertising of the stellar universe, of the mountains and seas and forests; of the contemplative life or the resources of thought and meditation.

Condiments and dainties are recommended, but not the exercise which would give a better relish for the food. The automobile is commended but not so the delights of walking. Over-emphasis is placed upon material things and especially such as must be bought for money. Then undoubtedly we are led to strive too strenuously to earn the money to spend for that which we might better do without. And we save too little of the money we earn.

The consumer caused to buy and salesmanship to buy things which, cost unwisely Second, the consumer is led by advertising considered, should not be purchased.

What is a wise purchase? Only that thing which (1) is worth more to the purchaser than the money which is paid for it and could otherwise be saved; (2) is worth more than the abstinence from effort to earn the money which buys the thing and, finally, (3) would contribute at least as much to the need for shelter, clothing, food or other satisfaction as would another equally or less costly article either to serve the same purpose or a different purpose. If I am influenced to buy when I might better save my money or the effort to earn it, or if I could get more satisfaction books."—Richardson Evans: "Advertising as a Trespass on the Public," *19th Century*, June, 1895.

out of some other purchase, or the same satisfaction for less price, the influence which causes me to make the unwise purchase is clearly anti-social. Is the aggressive advertising selling method likely to cause consumers to buy what they ought to buy? It would seem from the nature of the case that the consumer is more likely to be induced to buy the wrong thing. In the first place, it is the more profitable article which is likely to be advertised since there is more margin out of which to pay for the advertising. The article with the smaller profit can usually be bought for less.

Of course it is not always true that advertising makes a higher price necessary. In some cases advertising so increases demand as to make possible enough lower cost of production to more than pay for the extra selling expense. On the other hand, it is possible to put goods in a fancy package that appeals to the eye and then so to advertise and push them as to sell at prices materially above what the same goods are sold for in bulk. More will be said about this in our chapter on Costs.¹

The same principles are applied to most other articles advertised. They are sold for more because they can be, thus the consumer is led to buy the wrong thing, the more expensive.

Artificial crea-
tion of new
demand

The expense of creating first a consciousness of a new want and a demand for the article to fill it is costly and the cost comes out of the consumer. The business of creating new demands is extensive. Mr. W. R. Hotchkin,² speaking on this subject says:

"It is all very well to get the sales of things that people want to buy; but that is too small in volume. We must *make people want many other things*, in order to get a big increase in business. So the advertising manager must have two things constantly in mind:

"First—What do people want?"

¹ See Chapter III.

² Mr. Hotchkin was for ten years mercantile director and advertising manager for John Wanamaker.

"And his advertising must let them know that he is able to supply that want. That is one vital side of advertising.

"But the other side is not less important and is too often either neglected or only half done, and that vital question is: What do I want to sell that I must make people *want* to buy?"

Of making more people want cigarettes, the same writer says:

"The concern that realizes the power of suggestion will tell such a story of the delights that come from smoking that particular brand, that every smoker will want to try it and *thousands of non-smokers* will be tempted to learn to smoke in anticipation of enjoying the delights that have been exploited."

Mr. Hotchkin says that the unknown want is the most powerful factor in making sales.

"To tell the people *why* they want the goods and to convince them of their *need* of them."

"If business were confined to the sales that would be made to people who woke in the morning with definite wants on their minds, most department stores would have to go out of business."

Of this kind of selling to people who did not know they wanted anything, the writer says:

"Everybody is happy because a real constructive piece of selling has been done."

But is everybody happy, it occurs to us to ask? How real and permanent is the happiness of the buyer who has spent his good money for the satisfaction of a want newly crystallized into a definite demand by an advertiser for revenue only? Is not the consumer, wandering through a land of habit, convention and perplexity wrongly directed, made to pay for information which he loses out in following?

There is no doubt that our habits are changed by advertising. When the United States Government thinks more sea-mussels and tile fish should be eaten, it proceeds to advertise and forthwith more are called for. The maker of flour bags, to

Our habits
are changed
by advertising

create a demand for his wares, advertises to cause women to bake their own bread, and they do. Then the bakers get together to offset this by stimulating, through advertising, the purchase of bakers' bread, and this advice is also followed. The whiskey makers of Kentucky, fearing the state would vote for prohibition, urged voters to oppose prohibition because prohibition would increase their taxes and enough of them took the advice to carry the distiller's point. The National Dairy Council used full pages in the *Saturday Evening Post* to stimulate the larger use of milk, butter, cheese and ice cream, and with good results.

In view of the great economic and social importance of wisely directed consumption¹ it is pertinent to inquire how far demand is deflected from right things to wrong things² by the present selling system. Many hundreds of expensive automobiles are purchased each year by people who have to mortgage their homes to pay the bills. Hundreds of millions of dollars are spent annually for patent medicines³ which were among the earliest and

¹ "Economical consumption is secured when the cheapest combination of foods containing the required ingredients and both palatable and digestible for the given consumer, is selected. . . . Science has, until recently, done very little to aid the ordinary man to direct his consumption wisely and economically, although every investigation into the consuming habits of the poorer classes reveals the fact that, small as are their incomes, a considerable part is wasted because the most economical foods, clothing, etc., are not selected."—H. R. Seager: *Economics*.

² "Against the artificial stimulation of the demand for things involving well-recognized dangers to society, such as habit-forming drugs and intoxicants, repressive measures have been very generally adopted; but simon-pure commercialism still inspires the pushing of many wares which would better remain unsold."—Herbert A. Smith.

³ The Life Extension Institute gives \$500,000,000 as the amount annually spent for drugs in this country, and most of these are self-administered. George W. Alger (*Atlantic*, August, 1904) amusingly remarks that "So far as drugs and medicines are concerned, we are so accustomed to quack nostrums that we consider them with the utmost toleration, and accept good-naturedly the maxim of one of

most extensively advertised articles. Who knows how much the consumption of intoxicating liquors is due to the demand stimulated by advertising—but surely enough to pay the advertising bill.

The extent to which advertised foods are bought when more nourishing foods could be had for less money, it is, of course, difficult to say. Probably it would not be far wrong to guess that equal nutritive value unadvertised could be bought for two-thirds of the amount spent for trade-marked foods. It is fair to admit, however, that greater purity and cleanliness are claimed for the packaged foods.

In 1913 the *Chicago Tribune* made an investigation to learn why some 30,000 housekeepers ¹ had purchased certain food products. It was found that—

6 per cent were influenced by friends,
36 per cent were influenced by advertising,
55 per cent were influenced by retailers.

The dealer is depended upon to take advantage of this momentum caused by advertising and to push the product onto the purchaser. A recent writer says that "What a salesman does is to

Where advertising leaves off, salesmanship begins

the most successful of modern 'nerve invigorators' that 'the value of an advertised medium depends upon what you put on the bottle rather than on what you put in it.'"

¹ Women are the nation's spenders. While only one woman in five is gainfully occupied as an earner, it is estimated that "of the ten billion dollars spent annually in the United States for home maintenance, food, shelter and clothing, fully 90 per cent is spent by women." In an article by Martha B. Bruère ("Educating the Consumer," *Outlook*) from which this quotation is taken, the author continues, "we are, most of us, a little loath to admit that an education in house-keeping must be almost entirely an education in consumption." The vast bulk of production now goes on outside the home, but the vast number of girls are still taught exclusively how to make things, not how to buy effectively. And even if women did receive such training as part of their education, would not the hundreds of millions of dollars spent by advertisers to keep before their eyes the alleged advantages of certain products go far to offset this training?

raise the marginal utility of the article he is trying to sell to such a point that in the customer's mind it overlaps the marginal utility of all other goods at that particular time. Dr. Nystrom ¹ admits that "The question may be raised as to whether this is in the interest of the consumer and of society at large." "In answer," he continues, "it may be pointed out that desire had to be aroused and intensified in order to introduce into general use practically every article of modern convenience and comfort."

Is the consumer afforded proper facilities to enable him to choose wisely? In the opinion of the writer there is no department of our social life which leaves so much to be desired. We Americans are far abler to turn our efforts into dollars than to turn our dollars into real utility values. We work hard and successfully to earn money, but then we "spend our money for that which is not bread and our labor for that which satisfieth not." When our forefathers fashioned with their own hands that which they were to use, the manual effort was an automatic restraint upon spending it for useless things. But we now work for money and have no conception of its value. It is here that we are at sea. In the absence of dominating life purpose and definite plan, we drift. We are peculiarly susceptible to the influence of sales persuasion, printed and oral, and we are woefully without real intelligent guidance.

The incentive of the dealer and his representatives to overreach and sell an article for better than it is, is too well recognized to need extended mention here. The salesman has interests to serve **Antagonistic interests of seller and buyer** which constantly run counter to the interests of the consumer. Large profit on an article to the dealer means a large price to the customer. This antagonistic interest between dealer and consumer exerts a constant pressure and leads to all sorts of disadvantageous results to the consumer. The dealer is a specialist, the average consumer knows nothing about the goods.² It is an un-

¹ Paul H. Nystrom, Ph. D.: *Economics of Retailing*, page 87.

² Can I look to the retailer for advice when I wish to buy an article

fair encounter in which the chances are all against the consumer.

We are not here absolving the consumer from the main responsibility for wisely ordering his economic life, but are alleging that in the process of enlightenment and education ¹ he is retarded by the inevitable influence and impact of, and conditions brought about by, the distributive system under which we live. It is sometimes said that the consumer should inform himself in advance regarding everything he is to buy. But the fact is that the sources of information are so meager or biased and the buyable articles of our time so numerous that to acquire such information is well-nigh or quite impossible, and even an effort to acquire it is a business in itself. It is practically out of the question to be well informed as to the nature,

of which I know little of the various brands and qualities? One usually does, as he is the only expert one knows. But there is no assurance that his advice is unbiased. It is, for instance, quite customary to pay salespeople a bonus for selling especially profitable goods, "P. M.s," as they are called.

Shall I go to an automobile agent to ask if I should buy an automobile or what automobile to buy? Could the agent advise against buying and buying his machine and still stay in the business?

¹ Some constructive work is being done along these lines. The Board of Health restaurant in New York offers on a given day two balanced menus of equal food value, one at low price, one at higher price. See W. S. Borge: *True Food Values and Their Low Cost*, pages 23 and 24 for further description.

The Life Extension Institute, by means of an interesting experiment in which it has co-operated, has awakened many people to the possibility of living on simpler, less costly food. This experiment consisted of feeding a squad of husky men for 25 cents a day apiece. A booklet descriptive of this Rookie Squad Diet Experiment, giving recipes, is issued by the Institute at 10¢ a copy. See also the L. E. I. Health Letters, number 16, "The Low Cost of Living," and 34, "How to Spend 25 Cents a Day for Food."

There are other agencies which are working for saner eating, but unfortunately all of these reach very few people, comparatively speaking, and in an unsystematic, occasional way.

utility and merits of all one buys, to say nothing of knowing about values and fair prices.

But if it be admitted that the unfortunate influences here set forth follow the operation of aggressive distribution, the question arises whether the distributor should in justice be held responsible. Is not the consumer on notice to guard his own interests? Does not the distributor proceed on the motto, "Let the buyer beware"? But the distributor assumes to advise the consumer and the consumer so far avails himself of this advice as to pay for the counsel about a billion dollars a year. This round fee the distributor accepts together with perhaps as much more paid for oral and other persuasive salesmanship. So that each family in the country pays around one hundred dollars per year to be told what and where to buy. Regardless of the degree of responsibility which is or should be felt by the distributor for the results of this advice, it is certainly pertinent for the consumer to inquire what he gets for his money. Is he paying to be advised whether and what and where to buy and being told wrong? Is he being so advised as to act on the average against his own interest and having withheld from him the information which would enable him to act more wisely?

The consumer should demand service for the money he spends

As noted early in this chapter, a distributive system ideally to serve the consumer would encourage him to refrain from buying when that were wise, to buy only the wise thing and to act consciously and intelligently in expressing himself in purchases and the use thereof. Can we look for such service from our present distributive machine? Is it not indeed, inherently impossible for a system propelled as ours is to perform this service or even to refrain from harming the consumer as here cited?

CHAPTER II

ADULTERATION AND SHORT MEASURE

"Men may spend a long life without an indictable action,—and without an honest one."—HENRY WARD BEECHER.

"It is only necessary to ask a few questions as to the progress of the articles of commerce from the fields where they grew to our houses, to become aware that we eat and drink and wear perjury and fraud in a hundred commodities."—RALPH WALDO EMERSON.

"She (the housewife) must be as careful in choosing the men who supply food for her table as she is in choosing her physician, for undoubtedly upon them, more than upon the doctor, does her health and that of her family depend."—DR. H. E. BARNARD, Food Editor, *New York Mail*.

Scarce indeed are the innocents who are unaware of the fact that goods—and especially foodstuffs—are frequently debased, but few who know of the evil realize its extent or the subtlety of the methods employed. Dr. Harvey W. Wiley,¹ of Washington, is authority for the statement that the problem, even in its larger aspects, is still a very considerable one. Dr. Lewis B. Allyn,² of Westfield, Massachusetts, points out that from eight to fifteen per cent of the foods sold are debased, while Alfred W. McCann, food editor for the *New York Globe*, says of adulteration and misbranding, "The evil is an epidemic. It never seems to abate." Mr. McCann adds that probably three million people are made ill in this country every year by adulterated foods.

Gaston G. Netter, president of the International Pure Food Association, says:

"If you took all the food in New York City to-day and

¹ See Dr. Wiley's book, *1001 Tests*.

² Dr. Allyn is the compiler of the well-known "Westfield List" of pure foods.

put it in a big tent down in Texas, I would throw away 40 per cent. The people here in New York City are being hourly poisoned by food labeled as absolutely pure. I buy it and test it every day and I know."

The *New York Globe* stated in 1913 that spoiled meat was sold by the ton in New York City.

Examples of adulteration and its allied evils press almost daily on our attention, and thus far no adequate and permanent remedy has been found. Let us consider critically some of the methods now being tried.

When the federal pure food law was passed, it was hailed by many as a source of complete cure for the trouble. Some of the more public and blatant food poisoners and debasers have been caught and treated as outlaws, and others have been frightened and put on their guard. Indeed, the statute has proven itself of great value, a smart steel trap for the large and clean-cut offenders. But while the federal law went into effect in June, 1906, so far as it was permitted to become operative after shunting its execution away from the Bureau of Chemistry of the Department of Agriculture,¹ there are still thousands of cases of violation of even its liberal provisions which are taken cognizance of by the federal law department.

Again, the federal law and inspection can only reach such foods as are shipped from one state to another. In the case of meat, for instance, it has no jurisdiction over animals killed and sold in the same state. Caroline Bartlett Crane, an expert investigator, finds that the federal inspection is not so rigorous in its inspection of meats for use in this country as for those sent abroad; some animals used here would be rejected in Europe.

In any case, the law does not go far enough. The government stamp does not indicate how old the animal was nor

¹ While the original act placed the direction of the work in the Bureau of Chemistry of the Department of Agriculture, a special provision was later made whereby this work was placed with the so-called Remsen Board.

how long it has been killed, but only that it was not diseased when slaughtered.

Neither can any law reach the subtler forms of food debasement. It is not, perhaps, coarse, poisonous adulteration that the consumer needs most to fear. It is the hundreds of ways of debasing and cheapening a product which the consumer is unable to detect.¹

¹ There are some practices which, while defrauding in furnishing an unwholesome food, also cheat the consumer.

"Through the greed for profit," says an article in the *New York Times*, March 5, the health of a large part of the communities in the five boroughs and the adjacent districts is continuously jeopardized by the illegal practices of the shippers and distributors, is the charge made by Commissioner John J. Dillon of the State Department of Foods and Markets.

"With the co-operation of the Department of Health, the District Attorney's Office, the Federal Government, and the New York Society for the Prevention of Cruelty to Animals, the Commissioner expects immediately to put an end to conditions that are the most menacing to the general health of the people that has come to the attention of the department since its inception. Here is the situation as outlined by the Commissioner yesterday:

"The people of the City of New York annually consume or buy thirty-five millions head of poultry that are slowly dying at the time they are prepared for the retail markets. It has been found by scientific tests that the poultry when received here, if not killed promptly, would die within three to four days. For the privilege of eating this diseased poultry the people of New York are annually defrauded of approximately \$7,000,000.

"The fact that the poultry is slowly dying when slaughtered by the kosher butchers is expressed on the authority of the Department of Agriculture at Washington.

"There are 7,000 carloads of live poultry shipped here from the Western States annually, with approximately 5,000 fowls to a car, averaging four pounds each, totalling 140,000,000 pounds of poultry. The average wholesale price is about 20 cents a pound, making a total of \$28,000,000. This poultry retails at approximately 25 cents a pound, making a total cost for this article of food of \$35,000,000 annually.

Qualities shade off into one another by gradations which are imperceptible to the layman, and abuses are too subtle and too concealed to be reached effectively by law.

There is considerable activity in the health-departments of numerous states and cities, but the question of pure foods is still a serious one and what remains to be done is

"The poultry, when purchased by the shippers in the West, must be delivered by the producers in the form of birds with empty crops. If the fowls have any food in the crops the producers must consent to a reduction allowance of 10 per cent of the gross weight of each fowl.

"The custom of handling live poultry in transit is to physic the birds the first day. Then on the second day the fowls are fed light food without water, with mixtures of red pepper to irritate the stomach. For twenty-four hours before arriving at New York the fowls are kept without food and water. We will quote the special report to us from the United States Department of Agriculture for the details of the further process in the shipment of live poultry to this market, as follows:

"The evil of the system of feeding practiced in the cars of poultry entering New York is found in the twenty-four-hour starvation practice, followed by the giving of the watery mixture of sand, gravel, corn, and wheat, mixed with the paste-forming bran and shorts. The latter cause the mass to stick to the walls of the crop of the fowls and prevent its passage into the stomach. As a consequence hunger remains unsatisfied and the fowl continues to eat until it can hold no more. Given in the proper way, all the substance used in stuffing the birds are recognized poultry foods, but the harm in this case comes from the way they are put together.

"When the chicken's crop becomes distended with the pasty mixture, an inflammation soon develops. Food cannot reach the empty stomach and pathological conditions assert themselves. The fowl begins to lose weight, appears sickly, and would die in three or four days were it not sold and killed in the meantime. Of course, no one feels inclined to use as food the body of an animal that is slowly dying.

"Commissioner Dillon said the investigation by the Department of Agriculture disclosed that chickens weighing two pounds and ten ounces carried stuffed crops weighing eight ounces, or 20 per cent of the weight of the fowl. On a four-pound roasting chicken the weight of the crop was found to be thirteen and a half ounces."

perhaps even more difficult than what has been accomplished.

Local regulation of sanitary conditions is valuable, but to make it thorough and complete is hopeless. It costs money to keep things clean and sanitary. And since most handling is not under the eye of any inspector, how can the customer expect the average tradesman to incur the expense of exercising care for which he will get no credit or profit, and for the omission of which he gets no blame; since the test tubes of a chemist fail to detect uncleanness.

What relief for dirty and unsanitary conditions is there for the housewife who cares? Dr. H. E. Barnard, food editor of the *New York Evening Mail*, in an article headed "Housewife Must Rule Retailer," goes on to tell how she is to do it. He urges that the federal authorities "cannot regulate the butcher's meat box, the grocer's care of dried fruits," and so on. "All this work, for the most part local in character, is largely to be shaped and directed by the housewife." How can this be done?

"The food official has suggested the following methods by which the woman who wishes may complete the work.

"In the first place she must awaken to the fact that the conditions of cleanliness she insists upon in her kitchen and dining room are just as necessary wherever her food is exposed to dirt, dust and flies.

"The fact that the meat left by the butcher's boy is protected by a brown paper wrapper is no indication of the care it received prior to that time; it tells no story of possibly diseased animals, of unsanitary slaughter houses, of lack of refrigeration.

"She must not rely upon the telephone as the means of communication with her grocer and baker. She must make it her duty, not only to her family but to the community, to visit these distributing points and to determine for herself that her orders are filled by clean, healthy and careful clerks, with material, whether it be raw or cooked product, which has been properly cared for. . . .

"If, having given her trade to the men whom she has personally assured herself can serve her with clean food, she finds practices creeping in which are not acceptable, she should complain of such conditions to the proprietor of the establishment and discuss with him such changes in method or management as will remedy the evil.

"The pure food law will not have secured for the consumer every benefit which its wide scope comprehends until the very vital question of sanitary handling is not only understood by the housewife, but brought constantly to the attention of the distributor.

"A few years ago the admirable slogan, 'let the label tell the truth,' was used most effectively, and progressive food manufacturers saw the necessity of adopting it as their motto. But the time has not yet come when every manufacturer is a willing advocate of the idea, and so the consumer must constantly study labels.

"She must look for suggestive phrases which are not warranted by the goods in the package; she must, by her own inspection, determine whether the contents of the can correspond in weight to the statement on the label; she must familiarize herself with brands and with manufacturers; she must never allow her judgment to be influenced by specious advertising.

"The last suggestion and perhaps the one of greatest value is that the housewife know that under the law of nearly every state and the ordinances of nearly every city, she has the authority, as a consumer and citizen, herself to bring evidence of adulteration to the attention of inspectors and food officials. She should know these men, not merely by reputation, but by actually familiarizing herself with the work they are doing in her community, and whenever able by personal word or through her club bring them in touch with conditions which might otherwise escape their notice.

"She should, as a self-appointed deputy food inspector, standing between her family and the agencies which manufacture and distribute food, see to it that the pure food

law and all sanitary regulations are kept vital and effective."

It is quite possible that some housewives may find the office of "self-appointed deputy food inspector" so alluring that they will want more specific and technical instructions as to how to proceed. Such information is contained in an unsigned article in the *New York Times*, quoting at length a market inspector.¹ The article closes with these words:

¹ To print the advice on all articles would require a book in itself and would involve no little technical training. Here are the directions for detecting bad fish:

"Perhaps there is nothing about which a housekeeper should be so careful in summer as sea foods. Freshness, of course is the prime requisite. The appearance of the eyes of the fish gives a clear indication of freshness, but it should not be relied upon without other tests. If fresh, the eye will be prominent and full, while the pupil will be dark. This condition does not remain long, however, for soon after being caught the eye becomes gray and sunken, though in all probability the fish is still fit for food. The collapsed condition of the eyeball, with the gray, dull appearance, is one of the first tests.

"Fish in their natural state have red gills. So if the gills of a fish are gray, muddy white, or of a greenish tint, you are right in avoiding it. A fish that is full scaled and with scales that are firm, not easily detachable or rubbed off, and with bright and glistening appearance, may generally be taken as being fresh. On the other hand, if deficient in scales, or if they easily rub off, or are of a dull color and dry in condition, the fish generally is getting beyond the eating stage.

"When a fish is fresh the flesh will be firm and elastic to the touch. If decomposition is present the fish will be soft, flabby, and will 'pit' deeply under pressure from the finger. If in good condition the flesh is not easily stripped from the backbone, neither does it come away so clean as when it has commenced to decompose. If the housewife will ask it, almost any dealer will strip the fish enough to demonstrate that it is fresh. Another test is to hold it between the thumb and finger, exerting a moderate pressure. If the flesh readily parts it may be considered unsound.

"The importance of an acute sense of smell in testing all sea food cannot be overestimated. But the absence of any putrid smell is not always a safe guide, for if the fish has been kept on ice it may smell

"While it is often trying for the housewife to dress and go out to make her purchase, it is much safer than to give the day's order over the telephone or to send it by a child or servant. For it stands to reason that the woman who is on the ground and makes her own choice of the various foods for her family is the one who will get the best, if she has the knowledge to choose it. The fowl or meat which is just a little 'queer' is likely to go to the home where the housewife is not enough interested to keep a close watch."

The situation is indeed a trying one. Our federal, state and municipal governments are commendably awake to the importance of these matters. We have the federal government with its Pure Food and Drug Act and Meat Inspection Law; forty-eight states enacting and trying to carry out pure food and correct measure laws; and numerous cities passing ordinances with great inconsistency in the various acts and lack of uniformity in their enforcement. But when we realize what really effective inspection would involve, it seems a hopeless task to bring about the needed reforms under the present conditions, and the only one who is always happy about the quality and measure of what he buys is the one who forgets it.

For the housewife to exercise eternal vigilance as to the quality, cleanliness and quantity of everything she buys means a technical knowledge, willingness to spend endless time and energy, and a critical attitude on her part which is rare. Moreover, in an age when most of our foods are prepared out of sight, and we see them only in the last of a long series of stages, inspection by the individual house-

fresh and yet change rapidly when taken off the ice, while the frequent washings given by some dealers to fish to brighten them up has a tendency to keep down the offensive smell. Difficulty arises when the fish is between the fresh and putrid stages, and the degree of odor is doubtful. In such cases there is nothing to do but subject the fish to other tests and form a decision by taking them collectively."

Equally specific instructions are given for guarding against spoiled lobsters, crabs, oysters, poultry, meats and vegetables.

wife is bound to be superficial; and even if such painstaking inspection could be really effective, how socially wasteful it is for *each* family to devote so much of the thought and energy of its household head to this purely negative business.

Are we then to conclude that these impure food and short weight evils, because they have not been adequately reached by the negative methods of legislation and inspection cannot be reached in any fundamental way?

There is an old story of a green servant girl who for hours mopped up the water which overflowed from her kitchen sink before it occurred to her to turn off the faucet. Many of us seem to be taking a similar attitude in this matter.

Now the sole responsibility for the evils of adulterated, debased and diluted goods and for short measure in all its forms is inherent in the underlying principle of our present distributive system.

The producer has no incentive to produce a thing which appears to be what it is not. It is only when the producer becomes seller and thus initiates the process of distribution that the temptation to deceive begins.

To the perpetual temptation to do things which are not to the interest of the consumer few dealers fail to yield more or less. There are those who would return to you accurately a quantity of uncounted money, who, nevertheless, conform to customs of the trade by which the consumer is the loser. And the worst of it is, the pace is set by the dealer who gives the purchaser least for his money, and this pace the competitor must follow or lose out.

Our governments can furnish the instruments, the weapons, but so long as our foods are prepared out of sight, and the competition for profit is so sharp, complete security of the consumer seems far away. When the processes of preparation go on in the dark, and the profits are to the least scrupulous, are not our foods for a long time destined to cause doubt and disquiet? Shall we be happy to feed our

families upon foods each step of whose preparation has invited degrading? How confident can we be that we have beaten the food poisoner at his own game? Is it not inherently obnoxious to permit the manipulator with wrong motives to come between the original source of our food material and our tables?

So, for the injury to health of the million who eat de-based foods, for the vast machinery of regulation, for the eternal vigilance necessarily exercised by the awakened buyers and for the immense losses sustained by buyers, the present distributive system is to blame.

Short Weights

When we turn to the subject of correct measure there is the same melancholy story. The *Interstate Grocer*, the most widely circulated grocery weekly, constantly carries in bold face type, at the head of its editorial page, "Weigh, Count, Measure or Gauge Everything You Buy."

Fraud and trickery in weights and measures are decreasing, says former Superintendent William L. Waldron of the New Jersey ¹ Department of Weights and Measures. But it is still found necessary to condemn and confiscate thousands of pieces of equipment each year. Mr. Waldron found 11,545 druggists' weights wrong out of 42,251 tested.²

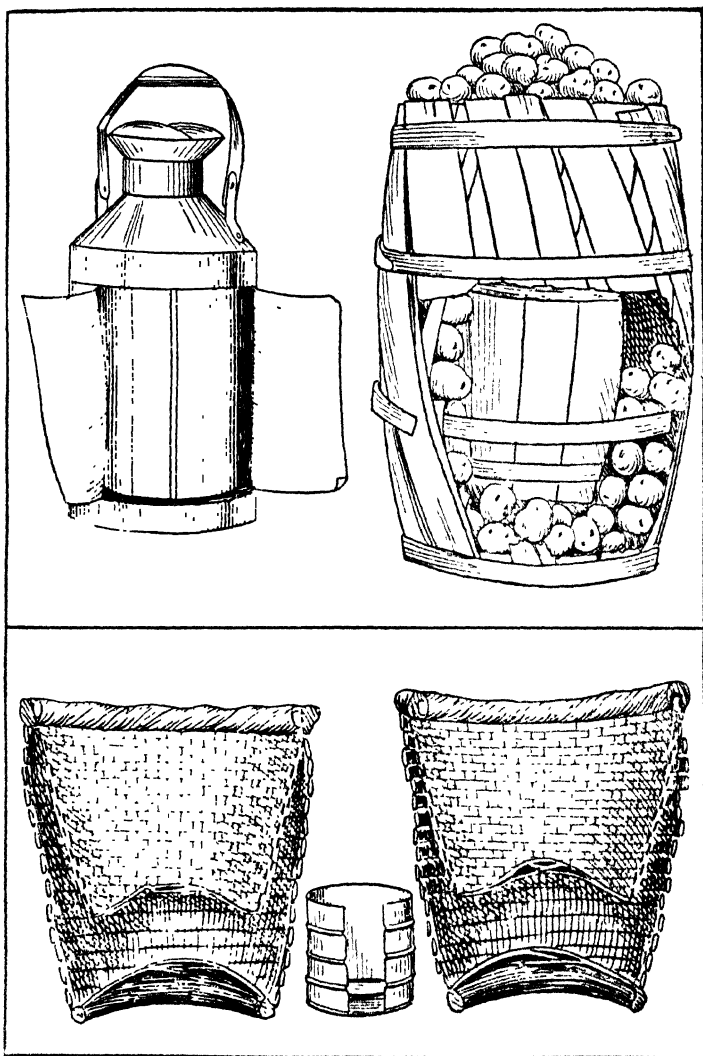
The bureaus of weights and measures of the various states confess that they can do little to protect the consumers against false measures except to place the law in their hands and expect the housewives to take the initiative in watching and reporting violation. Books and pamphlets ³ are issued containing many and minute in-

¹ Report of the Department of Weights and Measures, State of New Jersey, 1915.

² This deception is not always intentional, however; Mr. Waldron thinks most of these weights were used through ignorance.

³ "What Every Housewife Should Know," issued by the New Jersey State Department of Weights and Measures.

"What the Purchasing Public Should Know," issued by the Mayor's Committee on Food Supply, New York City, 1914.



SOME DOCTORED MEASURES

Confiscated by the Department of Weights and Measures of the State of New Jersey

structions all based upon the assumption, apparently, that women can be brought to assume the attitude of distrust implied in the directions and also that they will be willing to spend the time, care and anxiety, and undergo the disagreeable experiences incident to carrying them out.

Here are some samples of the pages of "don'ts" included in these booklets. These examples are quoted from Joseph Hartigan, former Commissioner of Weights and Measures of New York City:

"SOME DON'TS FOR SHOPPERS"

- Don't let your butcher weigh the paper.
- Don't forget to look for the weight label on bread.
- Don't let the butcher put his body against the balance arm of the scale.
- Don't be careless but watch the computing scale closely.
- Don't neglect to see that the weight of flour and sugar packages is marked on the container.
- Don't let the dealer remove the goods from the scale until it comes to a balance.
- Don't forget to keep a scale in the kitchen and test the weight of all you buy.
- Don't allow the dealer to weigh in the wooden butter dish.
This is important, for some have fancy tin edges and weigh from one to three ounces.
- Don't let fancy packages fascinate you, for you are frequently paying heavily for the container and getting less of the product.
- Don't ask for a cupful, 5 cents' worth, a package, a handful, a glass, a bag, a bucket, or a bucketful of any product. Ask

Former Commissioner Hartigan of New York writes, under date of January 26, 1917:

"I have always maintained that while government has established agencies at the expense of the public for its protection, these agents after all are educational in the very phases of its work, and the final responsibility for the detection of fraud devolves upon the individual consumer to change the principle '*let the buyer beware*' into that of '*let the seller beware.*' Every consumer should be his own inspector."

for a known weight or measure. Other terms mean nothing in the law.

Don't buy in small quantities if you can avoid it.

Don't misunderstand cheapness for economy.

Don't be afraid to carry a bundle.

Don't gossip with your dealer while he is weighing your purchases. This is one of the many practices resorted to in a dishonest shop.

Don't be ashamed to do your own shopping or to ask questions.

Don't hesitate to notify the Bureau of Weights and Measures if you have any suspicions whatever.

One especially depressing thing about false measures is that from them the poor suffer most since they are most likely to seek "bargains" where they are apparent but not real, from those who are unscrupulous enough to resort to fraudulent practices.

The poor suffer most from the impure food, short weight evils

But here again, as in the case of adulteration, it is not from the cruder forms of short measure that consumers suffer most (though this loss is estimated in the millions), it is rather in buying by the indefinite package or basket or asking for a certain number of cents' worth or buying that which is bulky in preference to better value in more concentrated form.

The Osborne Commission, which reported in August, 1912¹ was especially impressed with these difficulties. On page 32 of this report we find that:

"The use of packages and canned goods leads to consideration of the necessity of protecting the public as to the purity, quality and weight of the goods sold. Under the sanction of a State law, the amount of water in canned goods may make a difference of 10 to 20 per cent in their value. The weight of food in a package is usually reduced so that 10 ounces or 12 ounces is given for an alleged pound.

¹ Report on Markets, Prices and Costs of the New York State Food Investigation Commission. (William Church Osborne, Chairman) August, 1912.

We believe, although we have made no special study of the subject, that there are grounds to consider that the weights and measures both of farmers, grocers and butchers are not always above suspicion."

It is not our purpose to go into these matters of adulteration and short measure fully, or even to make out a strong case for the consumer, but rather to inquire whether we are not operating under a false system when even eternal vigilance fails to protect the consumer. The dealer is placed under circumstances where every twist and device he can successfully employ to give less value than the consumer thinks he is getting adds to his profits. Is not the motive arising from this situation distinctly anti-social?

Anti-social
position of the
private dealer

Many dealers believe they must in one way or another get the better of their customers to succeed or even to survive. Is there not every incentive to look for a better way?

CHAPTER III

THE EXPENSIVE MIDDLEMAN

"Selling cost is outrageously high—manufacturing cost is often small beside it. Now why not put more inventive genius to work upon the big problem of distribution?"—THOMAS A. EDISON.

I have endeavored to point out how the present distributive system works against the interests of the consumer and how certain important functions which we should demand of a proper system are wholly neglected. In this chapter it is my purpose to examine the excessive cost of such service.

The distribution of a commodity includes moving it from the place where it is produced to the place where it is consumed; holding and caring for it from the time it is produced to the time it is bought for consumption, transferring the ownership of the commodity from that of the producer to that of the consumer, either directly or through one or more intermediary dealers. The transfer of ownership includes all that is referred to as selling—making known the nature and merits of the product to those who buy it, either as dealers or consumers, and giving to buyers assurances as to quality.

This enlightenment of buyers about products, and the giving of assurance as to their merits introduces a non-physical element into the functions of distribution which differentiates the problem of distribution from that of physical production. This psychical element materially complicates the work of distribution and may account for the fact that distribution is as yet less efficient and economical.

Distribution, then, is here used to cover all those opera-

tions, physical and psychical, which are involved in transferring commodities from the place, time and ownership of production to the place, time and ownership of consumption.

To arrive at the vast proportions of this problem, let us begin by making a rough estimate of the annual cost of goods bought at retail in this country and the expense of transferring them from producer to consumer. Taking as a basis of calculation the products which are annually turned out by American farmers and not consumed on the farm, sent to factories, or exported, but go to consumers in the raw state, add the products of manufactories not used for re-manufacture or export. Then, starting at the other end, take as a basis the budgets of requirements of working men's families. Make proper allowance for families living on the products of their own farms, on the one side; and for families of larger income, on the other, and add such luxuries as automobiles and musical instruments. By this method I reach the conclusion that American consumers pay for goods which they buy of retail dealers something like \$20,000,000,000 annually.¹

The validity of the arguments here made is not at all contingent upon the accuracy of these estimates. The figures, for which there are no authoritative data, are rather given to indicate the vast importance of the subject and to furnish a starting point. (Since the above estimate was made I notice that Theodore H. Price, writing in the *Outlook*, on mail order houses, has arrived at the same figure.)

The Bureau of Personal Service of the Board of Estimates, New York City, submitted a report, April 16, 1917, as to the necessary cost of living for an average family of five, as follows:

	1915	1917
Housing.....	\$168 00	\$168 00
Carfare.....	30.30	30.30
Food.....	383 812	492.388
Clothing.....	104 20	120 10
Fuel and light.....	42.75	46.75
Health.....	20 00	20.00
Insurance.....	22 88	22 88
Sundries.....	73 00	73.00
Total per year.....	\$844 942	\$980.418

Considering the expenses, profits, and charges for freight, cartage, brokerage commissions, wholesalers', jobbers' and retailers' profits, it is probably not far wrong to estimate that one-half of the retail price goes for distribution,¹ roughly in the following proportions:²

The average individual has noticed that much of retailing is slipshod and wasteful, but few are aware that the consumers' bill for distribution is around ten billion, or half the retail price of all he buys,³ and that of the workingman's commodity

Of this \$980.42, about \$700 is bought at retail. If each of our twenty million families bought the same amount, this alone would foot up to \$14,000,000,000 per year as the bare cost of living, which makes \$20,000,000,000 seem conservative for our total purchases at retail.

¹ "It is no secret," says the *Grocers' Magazine*, "that the cost of selling almost anything is far more than the cost of production."

John Maxwell, for twenty years president of the great Scotch Co-operative Wholesale Society of Glasgow, speaking of the cost of 100 per cent of the factory price for distribution, says: "Economy in production has been reduced to a science, while all that is saved in reformed production seems to be wasted in unreformed distribution."

² See *Annals*, American Academy of Political & Social Science, July, 1913, "The Cost of Living," for table (page 203) giving the price received by the producer and each middleman, etc., for a selected group of commodities.

	Amount	Per Cent
Producers, farms, manufacturers, etc..	\$10,000,000,000	50
Railroads, truckmen, brokers, commission merchants, etc..	3,000,000,000	15
Wholesale jobbers	2,000,000,000	10
Retailers	5,000,000,000	25
Total	\$20,000,000,000	100

³ "In these figures (cost of distributing foods) there is the basis for the greatest reform that this country or any other has ever seen. . . . I have contended for ten years that some day this task must be accomplished. It is one of to-day's big jobs."—B. F. Yoakum.

F. E. Ladd, Food Commissioner of North Dakota, says:

"It costs more to distribute our food products than it does to produce the same. Why should this be? Why, for example, should the

budget of \$600¹ per year, according to prices of some years ago, one-half was the charge for bringing the product to him. But such is the case. And of the \$300 toll which the working man pays for distribution probably not over one-tenth is for freight.

But it is one thing again to call attention to this enormous tax upon the consumer and another to point out any road to relief. In fact, since distributive processes have in this country been for the most part carried on under free competition which might

producer receive 31 per cent and the distributor 69 per cent of the cost paid by the consumer for eggs? Why should the farmer receive but 36.6 cents on every dollar, and the distributor 63.4 cents on every dollar for turkeys?

"The following table shows the per cent to the total cost paid by the consumer that goes to the handlers of food products, the balance going to the farmers or producers:

	<i>Per Cent</i>
Poultry	55.1
Eggs by the dozen	69.0
Celery by the bunch	60.0
Strawberries by the quart	48.9
Oranges by the dozen	20.3
Melons by the pound	50.0
Potatoes by the bushel	59.3
Watermelons, singly	33.5
Turkeys	63.4
Cabbages by the head	48.1
Apples by the bushel	55.6
Apples by the barrel	66.0
Onions by the peck	27.8
Green peas by the quart	60.0
Parsnips by the bunch	60.0
Turnips by the bunch	60.0

See also Report, U. S. Department of Labor, Bureau of Labor Statistics, "Butter Prices From Producer to Consumer," 1915.

¹"What it Costs to Live," by William B. Wilson, Secretary of Labor, *Independent*, February 26, 1917, Commodity budget estimated from total budget given, some of the figures for which are not up to date.

have been expected to lead to the invention of adequate cost-saving machinery in the merchandizing field, is there not a presumption that there is no way to reduce the cost? Or at least no way except the slow process of a little saving here and a little there as new detail devices may be adopted.

The purpose of this book is to set forth wherein the present system is fundamentally at fault, and to point out a route to relief. But here I wish merely to indicate roughly the possibility of affecting savings by going seriously about it. To do so at this time I wish simply to point out certain facts bearing upon the subject. Let us first consider what the saving would be if the rate of gross profit charged by the most efficient stores were applied to all.

The Harvard Graduate School of Business Administration¹ finds retailers of groceries charging profits as high as 27.9 per cent and as low as 14.6 per cent, a difference of 13.3 per cent.

¹ Graduate School of Business Administration, Bureau of Business Research.

(BULLETIN 5) SUMMARY TABLE OF PERCENTAGES AND OTHER FIGURES
FOR RETAIL GROCERY STORES

(This summary includes stores which sell groceries only, and also stores which sell both groceries and meats and provisions.)

Item (For percentages, net sales = 100%)	Low	High	Common	Standards attained by a group of more efficient stores
	%	%	%	%
Gross profit on merchandise	14.6	27.9	21.0	..
Salaries and wages of buying force	0.1	2.4	0.5	.....
Other buying expense	0.0	0.5	0.02	.....
Total buying expense	0.1	2.4	0.5	.....
Salaries and wages of sales force	3.5	10.6	6.5	5.0
Advertising	0.01	1.8	0.1	.....
Wrappings and miscellaneous selling expense	0.03	1.4	0.4	0.3
Total selling expense	4.5	10.8	7.0	5.5
Wages of delivery force	0.6	3.5	1.5	1.0
Other delivery expense	0.3	3.4	1.5	1.0
Total delivery expense	1.1	5.9	3.0	2.5
Management and office salaries	0.3	3.8	1.5	.....

What if half this reduction could be made in the total 20 billion budget! The saving of \$2,400,000,000 would

Item (For percentages, net sales = 100%)	Standards attained by a group of more efficient stores			
	Low	High	Common	
	%	%	%	%
Office supplies and expense	0.01	0.4	0.1	.....
Total management expense	0.4	4.0	1.7	
Rent	0.3	4.1	1.3	0.8
Heat, light and power	0.1	0.8	0.2	0.15
Insurance on stock and store equipment	0.01	0.5	0.1	.....
Taxes	0.01	0.5	0.1	.....
Repairs and renewals of store equipment	0.01	1.4	0.1	.....
Depreciation of store equipment	0.03	0.9	0.2	.....
Total fixed charges and upkeep expense	0.8	5.6	2.0	1.5
Telephone	0.04	0.6	0.2	
Ice and cold storage:				
Groceries only	0.01	0.6	0.1	0.1
Groceries and meats and provisions	0.03	0.7	0.3	0.2
Other miscellaneous expense	0.01	1.2	0.1	
Total miscellaneous expense	0.1	1.4	0.5	0.3
Losses from bad debts	0.01	2.2	0.5	0.2
Total of expense statement	10.4	25.2	10.5	13.0
Net profit from merchandise operations	Loss 3.3	11.0	2.5-5.5	
Interest	0.2	1.7	0.8	
Number of stock turns a year:				
Groceries only	3.5	23.8	7.0	12.0
Groceries and meats and provisions	7.0	20.4	9.0	14.0
Average annual sales per salesperson	\$5,000	\$20,000	\$10,000	

(BULLETIN 9) OPERATING EXPENSES IN THE WHOLESALE GROCERY BUSINESS, SUMMARY

Item (For percentages, net sales = 100%)	Standards		
	Low	High	Common
	%	%	%
Gross profit	7.7	17.2	12.0
Total sales force expense	0.93	4.3	2.3
Advertising	0.0	1.19	0.07
Other selling expense	0.01	0.45	0.06
Total selling expense	1.2	4.53	2.5

make any possible savings on, for instance, the railroad burden, look microscopic.¹ I believe I express the opinion

<i>Item</i> (For percentages, net sales = 100%)	<i>Low</i>	<i>High</i>	<i>Common</i>
	%	%	%
Salaries and wages of receiving, warehouse and shipping force	0 43	2 0	1 15
Packing cases and wrappings	0 01	0 73	0 04
Outward freight, express, parcel postage and cartage	0 01	2 1	0 4
Total receiving, handling and shipping expense	0 8	3 22	1 6
Salaries of buying force	0 05	1 05	0 35
Other buying expense	0 02	0 26	0 03
Total buying expense	0 05	1 05	0 4
Executive salaries	0 16	1 21	0 5
Office salaries	0 19	1 54	0 7
Postage and office supplies	0 05	0 48	0 23
Telephone and telegraph	0 01	0 25	0 05
Credit and collection expense	0 01	0 57	0 06
Other management expense	0 02	0 42	0 1
Total general management and office expense	1 15	3 15	1 65
Total interest	0 4	3 03	1 5
Rent	0 17	1 05	0 4
Heat, light and power	0 01	0 2	0 05
Taxes	0 02	0 75	0 2
Insurance (except on buildings)	0 03	0 58	0 11
Repairs of equipment	0 01	0 49	0 05
Depreciation of equipment	0 001	0 5	0 1
Total fixed charges and upkeep expense	1 31	4 62	2 5
Miscellaneous expense	0 01	0 92	0 11
Losses from bad debts	0 002	1 66	0 3
Total expense	6 7	13 74	9 5
Net profit	Loss 1 13	7 01	2 4
Stock turn	2 8	11 0	5 7

Note the difference of 9.5 per cent on the cost of handling goods by the most and least efficient wholesale grocers. It is conceivable that a community might be served by high per cent retailers who also bought their goods of high percentage wholesalers, while another community might be supplied by low percentage retailers and wholesalers. If so, the difference in the cost of living between the one community and the other would be 24 per cent, or, say, around \$100 a year on the working man's food bill.

¹ This is assuming that there exists as great a percentage of difference between the extremes of cost of doing business in lines other than groceries, and probably the difference is even greater.

of conservative students of the problem when I say it is entirely possible to reduce the retail price of commodities in this country on the average from ten to twenty per cent if merely the *known* leaks between producer and consumer were stopped. The opinion is so general that the cost of distribution is away beyond reason that we need not dwell here upon the subject. The typical view of the professional economists is that of Professor Taussig: "No part of the mechanism of the division of labor is so inefficient as that of ordinary retail trading on a small scale. Or, as representing the opinion of keen and far seeing men who are students of business affairs generally, we may quote further from Thomas A. Edison, quoted by *Printer's Ink* as saying:

Selling and distribution are simply machines for getting products to consumers. And like all machines they can be improved with great resulting economy.

But it is the plain truth that these machines for distribution have made the least progress of all machines. They are the same in many instances that they were forty and fifty years ago. They are imitations of each other, and manufacturers follow each other like sheep in the matter of selling and distribution, the very same manufacturers, oftentimes, who are tremendously keen to secure the benefits of new invention in their factories.

As a result selling cost is outrageously high—manufacturing cost is often small beside it. Now, why not put more inventive genius to work upon the big problem of distribution? At this time of general lamentation over high prices it is particularly desirable. The average selling machine has become unwieldy and ancient. Did you ever see the Jacquard loom? It is marvellous how perfectly and simply it performs complicated weaving of patterns. That perfect the selling machine should be—getting goods quickly, economically and satisfactorily to those who want them.

Mr. William Church Osborne, chairman of Ex-Governor

Glynn Food Commission, in a letter to the *New York Times* of July 14, 1913, said:

"It is my deliberate judgment that the city in conjunction with its citizens can save upon the distribution of food supplies over \$50,000,000 per annum," and that saving on foods which then cost the consumer \$500,000,000 could be made without displacing the system of retailing then and now in use.

It is not my purpose to follow the circuitous course of a commodity from producer to consumer with the hope of locating specific leaks and finding specific remedies for each, but rather to show certain general sources of waste.

General Sources of Waste

It is often claimed, that the mere presence of a number of middlemen in the distributive process proves that there are too many profits to pay and, therefore, unnecessary expense. This does not always follow. It may be that it is more economical for one house to sell a consignment of produce on commission to a jobber and the jobber in turn sell to retailers than for one house to undertake to receive from the farmer and also job to retailers. It is quite possible that it will cost the two houses less to perform the twofold service than it would one house. The false assumption that the elimination of a middleman is necessarily a reduction of the cost of doing the middlemans' work is responsible for the epidemic of public or farmer's markets from time to time. It generally turns out that the farmer cannot do this retailing work as well nor as economically as a trained retailer. I have yet to hear of a farmer's retail market which permanently benefited either farmers or consumers. When the free advertising due to novelty is over, the farmer's prices gradually rise, his customers become correspondingly fewer, until the enterprise peters out. Nor is it certain when charges seem high to the producer or the consumer that they are necessarily high.

Mere number
of middlemen
not important

Perhaps there is no way to get perishables from farmer to consumer for less than 65 per cent of the retail price.¹

The real test is to do these things or get them done and the same service performed for less than these charges. It is not a case for scolding and fiery speech and resolutions at meetings. It is a case for invention. The thing is to find a better way.

The test of costly service is to give same service for less money

The string of men between the farmer and the consumer suggests the time before Commodore Vanderbilt when what is now the New York Central Railroad was half a dozen short lines, some of narrower gauge than others, so that between Chicago and New York goods had to be transferred a number of times from car to car. When the road was unified the cost of moving a barrel of flour from New York to Chicago was greatly reduced.²

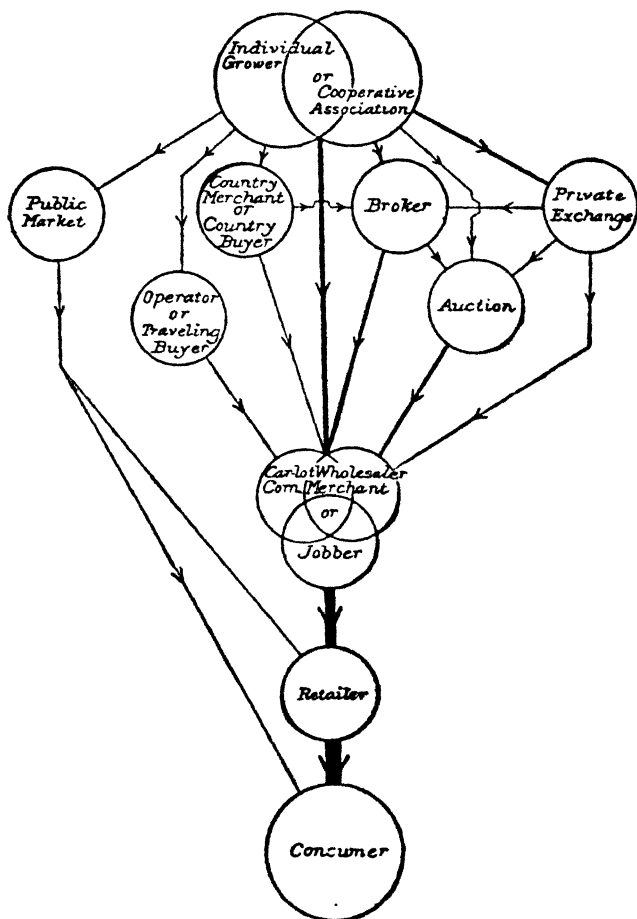
Every time a product changes ownership it must be inspected and perhaps guaranteed, an expense analogous to

¹In a speech delivered in 1912 E. E. Pratt, chief statistician of Governor Dix's State Food Investigating Commission, pointed out that much of New York's food passes through four hands before it reaches the consumer. He believed that this system can be greatly improved.

L. D. H. Weld, Ph. D., Professor of Business Administration in Yale University, in an exhaustive work, *The Marketing of Farm Products* (Macmillan) claims that there is no good reason for alleging that there are too many subdivisions or steps of the distribution process, that "lower cost and greater efficiency may be gained by further specialization," that "those who have made first hand investigations of the marketing system in an impartial and unprejudiced way realize that the system of marketing that has developed is efficient." This, however, does not refer, we take it, to the question of whether there are too many competitors in any one branch of marketing.

²"He (Vanderbilt) consolidated and perfected the railroad service in such a way that a year's supply of meat and bread can be moved 1000 miles from the western prairie to the eastern workshops at the measure of cost of a single day's wages of a mechanic in Massachusetts."—Edward Atkinson, *Distribution of Products*.

this transferring of freight. There may also be physical transfer of the goods, but in any case each sale from one



MAIN CHANNELS OF DISTRIBUTION FOR FRUITS AND VEGETABLES

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handler to another incurs a certain expense which, *unless it makes for final economy*, should be cut out.

THE EXPENSIVE MIDDLEMAN

This points to one of the greatest sources of expense in the modern process of distribution, namely, the lack of proper grading and sorting on the part of ^{Lack of proper} farmers or other producers. At present, in ^{grading} the case of many products, every sale between the producer and the consumer is against the obstacle of ignorance, uncertainty or suspicion on the part of the purchaser as to the grade and quantity of what he is buying. The farmer may sell to his local buyer a product which is not sorted and graded. The local buyer may either grade or consign to the city to be graded. The grade made by the commission man may be good, may carry confidence to the jobber, but then the jobber must create in the retailer confidence in the product. The retailer must show and convince the consumer. Each transaction incurs the expense of costly salesmanship and bargaining. I am convinced ^{Costly and} that too little attention has been given to this ^{unproductive} *selling against the obstacles of well warranted* ^{selling performed over} *distrust as an element of cost in marketing.* ^{and over} That large expense is incurred by this haphazard grading is evident when we compare such with well standardized products like wheat.

Another thing to be said in this connection is that after a product leaves the possession and care of the farmer it is orphaned, so to speak, until it reaches the ownership of the final consumer. No one who handles it has any direct interest in keeping down the cost. If an expensive thing is done by all dealers, the dealers have no incentive to avoid it. If, for example, all dealers were required by law to ship all products from New York to Philadelphia and back, there would be no objection on the part of the dealers.¹

¹ "Under the system of private treaty and commission sales, still principally in use, the producers are restive and indignant, and the nearby sources of supply are dormant and drying up. Albany does not receive one-fourth of her butter, eggs, chickens or veal from the excellent farm lands around the city. New York gets its best vegetables from the most distant points. Buffalo is mainly fed from the west."—Osborne Commission Report, page 6.

If the very uncertain pressure of competition could be relied upon to prevent this, there would be no such problem as we are now discussing.

Competition so often fails to work when most needed that little dependence can be placed upon its influence to protect producer or consumer. While the orphaned product is on its winding way, it is subject to assaults of glut, rot and speculation. It is when fruit and vegetables are plentiful on the farm that the most shameful wastes occur. The food is permitted to rot in large quantities either on the farm or in the city—while prices to the consumer are little less than normal.¹ Why? Because the products must pay freight, cartage, and a string of profits, and these profits dam the flow from farm to kitchen. Here is where it becomes most conspicuous that not the need of the consumer but the profit of the dealer is the power that moves the machinery of distribution. Of the wastefulness of the present ways of handling fruits and vegetables Mr. Morris Weslowsky, a prominent New York Commission merchant, says:

“New York’s price trouble, and, to a less degree, the price trouble in most American cities, is due to wasteful marketing upon the seller’s part and wasteful purchasing upon the buyer’s part, with wasteful handling sandwiched in between.”

It would be interesting and appalling to know how much good food is wasted every year simply because a so-called “over-supply” means low prices and low profits to the dealer,—and profits come first.

¹ As recently as May 10, 1917, there appeared in the *New York Mail* an article to the effect that because of the glut in fresh vegetables vast quantities of string beans, artichokes, cauliflower, kale, squash, eggplant and strawberries were thrown away. This is frequently done when the market is “off.” Food is allowed to spoil and is then dumped into the river, while a certificate is sent to the shipper to the effect that the produce arrived in a condition unfit for use! It thus often happens that when the supply is most ample, prices are up.

The cold storage warehouse is a great invention for carrying over products from the time of plenty to the time of greatest scarcity, thereby facilitating the even distribution of foods. It is important for the consumer, however, that cold storage also makes possible speculation and cornering of the market in time of scarcity. ^{The cold storage warehouse}

In the winter of 1916-17 eggs were so scarce and high that certain women's organizations suspected that there was a corner and instituted a boycott. Here is what the chief offender has to say about it as reported in a current newspaper:

"James E. Wetz, so-called 'Egg King' of Chicago, who, it was reported, had cornered the egg market, has announced the abdication of his throne after making a cool million, and will take his family to Florida for the winter to enjoy the fruits of his campaign. Wetz claims that the 'egg boycott' instituted by the women's organizations of Chicago resulted in a greater consumption of eggs by making egg eating 'aristocratic.'

"'I thank the Housewives' League of Chicago and numerous others who sought by proclamation of a boycott to lower the price of eggs,' Wetz declared.

"'They made folks think it was aristocratic to eat eggs. Everybody wants to be aristocratic. Prices jumped. I made a million. I ought to allow the originators of the boycott a commission.'"

As before stated, it is not my purpose to catalogue all the causes of cost and waste incident to the present distributive system, but simply to point out the adverse influence of the present order of distribution.

As I have already said, much of the expense of distributing farm products is due to the lack of standardization of qualities and grades so that each buyer, whether dealer or consumer, is uncertain as to what he is getting. In the case of manufactured products a plan has been adopted during the past few decades to overcome this uncertainty to a great extent. This is done by branding and advertis-

ing. The maker of a breakfast food, a pair of shoes or a talking machine sells his product under a certain name and identifying marks. When the consumer buys one of these articles and it is found to be satisfactory, he can call for and get the same article when he wishes to buy again. This practice of identifying an article with the manufacturer's name is not new. The Seth Thomas clock, Torry razor strop, and many other such articles were known and called for by name fifty years ago. But more recently the practice has been extended to articles which must be put up in packages.

What has given the great impetus to such branding of separate articles and packaged goods, however, is advertising. The growth of the advertising method of marketing goods under trade-mark has been very rapid during the past twenty-five years. It is not at all uncommon for a single concern to spend in advertising alone hundreds of thousands of dollars per year,¹ and the total expense for advertising of this kind in the country amounts to hundreds of millions per year. There has been much discussion of late as to how far consumers are benefited by this method of marketing and how far they are burdened by the extra price charged for the packaged and advertised goods.² The subject has been discussed by Congress after receiving much testimony and is very generally gone into by food investigating committees.

¹ For many years the Royal Baking Powder Company spent \$750,000 a year for advertising, and William Ziegler, principal owner, left a fortune of \$30,000,000.

A government report says the Tobacco Trust spent for advertising in 1910, \$11,000,000, and that the companies succeeding the Trust spent for advertising in 1913, \$23,000,000.

The Proctor and Gamble Company recently testified that they spent \$3,000,000 in five years to put "Crisco" on the market.

The American Sugar Refinery Company have just appropriated \$1,000,000 for "trade-mark" advertising.

² An attempt is being made to fix the price of these goods. See Hearings on H. R. 13,568,—“Regulation of Prices.”

In 1912 the Osborn Food Commission said: "While it is the general testimony of the provision dealers who watch costs most closely that the use of packages adds from 50% to 100% to the cost of goods, it is also true that the public has been quite unable to withstand the bombardment of advertising by the large firms dealing in package goods, and that they are firmly convinced of the peculiar merit and quality of goods in a package, although the same goods can be obtained in bulk at the same store at one-half the price."

Mr. George W. Perkins, chairman of the joint food commission of New York City and New York State, has sent out hundreds of thousands of circulars in which he advises housewives against the extravagance of buying packaged goods.

On the other side of the question it is urged that advertising, by increasing the output and thus lowering its production cost per unit, does not necessarily increase the price of the product to the consumer, and that even when it does the consumer frequently gets an assurance of quality and uniformity worth the extra cost. Advertising does not always increase the cost to the consumer A number of makers of advertised goods testify at this time of excessively high prices that not only have their prices to consumers not been advanced, but in spite of the increased cost of labor and materials, costs to the consumer have even been reduced by advertising. This is undoubtedly true in many cases. The maker of a dollar watch claims that such a watch could not be produced and sold for one dollar if it were not for advertising and the large demand thus created.

The facts are, however, that advertising costs money and there is no one to pay for it finally but the consumer. So, while the demand and output thus increased may make possible lower cost of manufacture, if the demand could be created without the advertising expense, and the saving given to the consumer, he would be decidedly the gainer. A big clothing manufacturer has reduced not only his manufacturing cost but also his percentage of selling cost

through a selling policy based upon advertising to reach the consumer. The fact remains, however, that his selling expense includes 7 per cent for advertising and 3 per cent for travelling salesmen, a total of 10 per cent for pushing the goods upon the consumer. The question arises whether the consumer is helped to an extent to justify his paying the 10 per cent. Of course, the answer to that question depends upon what is the alternative course.

What of the proprietary staple goods which are greatly enhanced in price on account of packaging and advertising? It is quite possible that the consumer may prefer to buy these packaged and guaranteed goods at the increased price of forty, fifty per cent more for the sake of the assurance of quality, cleanliness and other merits which he believes unobtainable by any other methods. But need he pay the extra price in order to get these assurances?

Reliable testimony has recently been given that packaged and advertised breakfast foods with fancy names are identical with bulk cereals which can be bought in the market for much less than the price charged in packages. By the use of automatic machinery bulk goods can be weighed **Sales pushing,** and packaged at very low cost;¹ indeed, the **not physical packaging, costs** greater expense of the carton as compared with paper and string is wholly offset by the extra time taken by the salesman and the overweight often given in doing up bulk goods by hand. So the extra cost of packaged goods is not a mechanical cost but an advertising and sales-pushing cost.

The question I wish to raise here is whether the whole great expense of sales stimulation, product pushing aside from the mere enlightenment of the public, cannot be dispensed with on the part of the consumer with great financial gain and no net loss. The consumer needs all the information he can get about things he has to buy. He should have much more light than he now gets, and it should be made more available and be vouched for in a more

¹ The "All Package" Grocery Company of New York and Brooklyn has extensively demonstrated this.

disinterested way. But the enormous expense incurred to push products upon him by all the arts of the printed and spoken word he could, I believe, get along without.

To these heavy expenses to be paid by the consumer under the present system must be added another heavy burden—I mean the excessive cost of the duplication many times over of all these processes caused by unrestrained and wasteful competition.¹

The consumer must bear the cost of competition

Nor are the evils of competition limited to a needless duplication of selling machinery. Behind this is the needless duplication of producing plants. Here also the consumer public pays the bill. I am told by parties in a position to know that in certain lines of manufacture there is several times the capacity needed to produce the required product,² and that each unit of product is charged with its proportion of all the idle plant.² And so the consumer pays many big bills incurred out of his sight which he has no power to eliminate, and a burden which competition, far from alleviating, actually aggravates.

I have been told by the manufacturer of a dollar watch that his watch cost more to manufacture than did a certain

¹ High prices tempt additional dealers to come to the town, the average profit is reduced accordingly, until it occurs to some of them that they are not making a large enough average profit and the tendency is in one way or another to get enough higher prices to bring the profits back to the former average, and it hardly need be said that all these duplicate establishments, incurring duplication of expense, are charged in the long run to the consumer.

² In an article in the *New York Times*, March 15, 1917, summarizing last year's business of the American Sugar Refining Company, Mr. Babst, the president, is quoted as follows:

"In view of the well known fact that the United States is already provided with refining capacity sufficient to meet the growth of the country for many years, it is interesting to note an addition being made to this surplus capacity by the early completion by new interests of a new refinery at Savannah and the plans for a prospective refinery at Boston. The beet sugar industry is also contributing additional capacity, as seven new plants have been slicing during the current season and at least twenty additional plants are reported."

razor sold for several dollars. While it may be a matter of debate whether certain classes of commodities are enhanced in price by advertising, there is no doubt that advertising exercises a power over the consumer which makes it possible to charge a price for widely advertised articles far beyond what the cost of production would justify, and what the consumer should pay. It is a case where thousands of consumers acting individually are no match for the national marketer acting as a unit. And under the present distributive system there is no way to reach this class of practical monopolists.

Unorganized consumers no match for organized producers

The Wholesaler and Jobber

Wholesalers and jobbers—words used here as practically synonymous—receive their supplies from numerous sources and sell them to retailers. Among those who sell to the wholesaler and jobber are the produce commission merchants, manufacturers and importers, the brokers representing associations of growers, and numerous others. The wholesale house is the clearing house buying supplies from hundreds of concerns. The wholesaler may receive but a single product from one house and, to make up his supply, he may search all over the face of the earth. He then sells numerous articles to the retailer, often in small quantities of each. The wholesaler may receive products in car lots from hundreds of houses and sell in case lots to thousands of retailers.

Wholesaler to some extent eliminated

There has been some discussion of late as to whether the wholesaler could not be dispensed with at a saving to the consumer. Many large retailers, like department stores, chain stores, mail order houses, are largely or wholly their own wholesalers. When the chain stores act as their own wholesalers they maintain warehouses to which goods are brought, broken up into small quantities, and delivered to the multiple retail stores.

Groups of retailers often form what are called buying

exchanges which perform for their members much the same functions that these warehouses perform for chain store companies. This movement appears to be on the increase with retail dealers seeking to get their goods at lower cost to meet the competition of chain stores.

It is to be noted, however, that these warehouses, either for chain stores or for groups of other retailers, do not perform the same selling function as does the regular wholesaler or jobber. The warehouse may buy its goods at the same price as or even lower than the wholesaler pays and from the same source. Of course this is the aim. But the warehouse has no salesmen or other sales expense. Nor does it usually give credit and take the chances on bad debts. Various expensive things incident to soliciting business can be eliminated from the warehouse. Thus it comes to pass that goods can be handled through the non-soliciting clearing house for around one-half and sometimes much less than must be paid to the regular wholesaler in order to meet his expenses and pay him a profit. If it costs ten per cent of the retail price to get the goods cleared through a regular wholesaler, it would appear to be possible by eliminating the necessity of persuasive salesmanship, bad debts, and the profit of, say, two per cent ordinarily paid to the wholesaler, to get goods moved through the warehouse for not exceeding five per cent. I do not intend to dogmatize upon this subject, but, in my opinion, here is a good place to look for a saving, assuming, of course, that dealers would need no soliciting, which is true under some forms of organization.

The Chaos of Retailing

Through the haphazard organization and methods of a million merchants the consumers of this country lose more than a billion dollars a year.¹ More than fifty dollars per family is paid each year for the inefficiency of the retail

¹ The report of the Osborn Commission states:

Estimated cost of the annual food supply of Greater New York, at terminals, is over \$350,000,000, and in consumers' kitchens over

end alone of our present distributive machine. And yet the profits of the business are so precarious that only one in twenty who start stay in the business.¹

As I write these lines there pass my window, toiling up the mountain, half a dozen delivery wagons, of as many food dealers, each with a fraction of a load. In this **Wasteful duplication of town of 25,000 people there are nearly one stores** hundred food stores, each with its rent, upkeep, management and miscellaneous expenses to be paid by the consumers when less than a quarter of this number of stores would suffice, and could perform the purveying service for about half what it now costs.

There is at least one grocery store to every sixty families in this whole country, some say one to every forty families, each with its separate set of expenses to be met by the consumer.² No wonder these stores vary in efficiency so that \$500,000,000, or \$100 per capita for 5,000,000 people. "We think that the testimony shows that this addition of about 45% to the price is chiefly made by cost of handling and not by profits. . . . The present system is a growth, mainly in small units, and shows the costliness of multiplied facilities and uneconomic competition. The public have thought municipally of transportation, police, streets, docks, water, and so on, but have thought 'corner-grocery-wise' of the food supplies which make nearly half of their cost of living. While each of the other important facilities has been in charge of prominent department heads, the provision for food supplies has been left wholly to the development of unregulated competition and has resulted in the creation of makeshift facilities without orderly plan or system."

¹ Statement of the National Association of Credit Men.

² "The most impressive feature of the retail business," says the Osborn Commission, "is the smallness of the average unit, being about one store to every 250 persons, leading to excessive relative cost, and weakening the buying power. Total cost of wholesaling, including profits, is probably about 10%. Of retailing, about 33%, added in both cases to first cost."

"Likewise, during the past ten years, the number of our retail stores has increased 41%, now giving us one retail store for every ten urban families; their operating expense has increased 112%; their delivery and package cost 126%;—and the population,—the buyers,—only 21%."—J. LeRoy Tope.

the gross profit charged by them ranges all the way from 14.6 per cent to 27.9 per cent. Probably the stores charging the highest profit also pay the highest wholesale prices so that their unfortunate customers are still further burdened.¹ A careful survey recently made by the National Retail Dry Goods Association and tabulated by Ernst & Ernst, New York, certified public accountants, shows that retail profits based upon reports from twenty-four states range from 27.33 per cent to 35.1 per cent of the selling price, an average of 30.46 per cent. In other words, goods costing sixty-nine and one-half cents at the back door of these stores cost the consumer when carried out the front door one dollar. The salesman standing behind the counter extolling his wares is paid about ten per cent for his lecture in spite of the fact that he may be talking about a commodity which in the hands of the manufacturer has already been taxed five or ten per cent to tell the same story, and the store may have also paid five per cent for advertising to get the customer to come to the store.

In the light of the facts as to these details it is not difficult to see how it comes to pass that it costs the consumer as much to have his goods sold and brought to him as it costs to have them grown or manufactured.

Perhaps the most outrageous wastes of all are in the serving of such articles as ice and milk. In this town of 25,000 above referred to, there are fifteen ^{Inefficient} dealers in ice. It is not at all uncommon to ^{distribution} have half a dozen ice wagons each with its ^{of ice and} heavy melting load serve the families on two blocks of a single street. The sheer inexcusable waste of this disorderly practice is around one-fourth of what the consumer pays for his ice. That is, if he pays 60 cents a hundred pounds, it could with proper concentration be served at an equal profit to the dealer for 45 cents.

The wastes of milk delivery are clearly and authentically

¹ "For the working classes," says Prof. F. W. Taussig, "The small retail trader often is half a friend in need, half a swindler, and a parasite. There is opportunity for a declaration of independence."

set forth by Dr. John R. Williams of Rochester, N. Y., in an article in the *World's Work*. Dr. Williams, who is an indefatigable worker for pure milk, has made a very exhaustive study of the milk delivery system in his city and verified his findings by experimental tests. Dr. Williams says:

"I found that in a section in which most of the inhabitants were Negroes, 23 distributors were traveling 20 miles daily to supply 165 homes which could be supplied by one distributor traveling only two miles.

"On an average, in each of four sections of American workingmen, 47 distributors were traveling 38 miles to 431 homes, in every case a waste of more than 40 men's work and of 25 miles of travel. In each of four districts of foreign workingmen, 49 distributors were traveling 37 miles to serve 317 homes which one dealer could supply in $2\frac{1}{2}$ miles of travel. Twenty-six distributors were traveling 48 miles to supply 443 homes of middle-class Americans, though one man could have performed the same service by traveling $2\frac{1}{2}$ miles. In each of five sections of well-to-do homes, 23 distributors were traveling 22 miles to perform a single distributor's service of traveling a little more than 2 miles to 173 homes."

Dr. Williams concludes his exhaustive and significant report with the following table showing what might be saved to the milk consumers of one city by a sane method of distribution. Moreover, it should be borne in mind that efficient distribution has a way of reaching back and causing efficient production.

*The Cost of Distributing Milk in Rochester**Under the Present System*

356 men and in many cases their families
 380 horses
 305 wagons
 2,500 miles of travel
 \$76,600 invested in milk room equipment
 \$108,000 invested in horses and wagons
 \$2,000 present daily cost of distribution
 \$720,000 yearly cost of distribution

Under a Model System

90 men
 80 horses
 25 horse-drawn trucks
 300 miles of travel
 \$40,000 equipment for 1 sanitary plant
 \$30,750 equipment of horses and trucks
 \$600 estimated daily cost of distribution
 \$220,000 estimated yearly cost of distribution

The wastes which are obvious in ice and milk ¹ distribution are as real, though less obvious, in many departments of retailing.

An ingenious and resolute pioneer now and then finds a more direct trail through the distributive jungle. Some of these reduce the distance and the cost by "Public Markets" nearly half. In some cases the consumer gets the benefit. In the New England "public markets" the gross profit charged the consumer in some stores is less than 20 per cent. And since most of the goods are without wholesaling burden, the customer is saved perhaps 15 per cent compared with the cost in less favored sections. A town some 50 miles from New York has its foodstuffs served, including soliciting of orders and long distance delivery, for 15.5 per cent by a community-owned store.

But most of the systems of retailing in which new economies are sought are for revenue only. The proprietors put in their pockets all the savings except just enough to

¹ Prof. Clyde L. King of the University of Pennsylvania believes that milk distribution should be regarded as a public utility. See article in the *Survey*, Feb. 24, 1917, page 605.

win the trade of the consumer. There are half a dozen **Mail order houses** big mail order houses which are said to pass goods from producer to consumer at less cost than can be done through wholesale and retail stores. These have grown to a point where they handle some hundreds of millions of dollars worth of goods per year. But their reports indicate that the proprietors retain for profits about ten cents out of every dollar of sales.¹

The so-called chain stores are growing rapidly, and, for the class of goods they purvey, undoubtedly distribute at less cost than old line retail stores. But the following **The chain store** table showing the growth of business of four five-and-ten-cent stores gives at the right the net profit made on each dollar of sales which indicates that they are not operating for love.

	1915	1916	<i>Profit per dollar</i>
Woolworth	\$76,095,774	\$87,082,513	9.9
Kresge	20,943,300	26,393,544	6.
Kress	12,429,580	15,122,558	8.8
McCrory	5,613,987	6,786,980	6.8

The Woolworth Company now operates about 1,000 stores. The chain grocery stores which have made statements lately in connection with the issue of new securities seem to indicate that their net profits available for owners range about the same as those of the five-and-ten-cent stores, while the cigar and drug store chains probably make more net profit.

The point here is that the consumer is not likely to be benefited much in the way of lower prices by these stores since no reductions are likely to be made except spectacular ones to draw trade, and these are said to be largely "apparent." Moreover, there are grave reasons for apprehension as to what will happen when these chain stores become so numerous that those of one company feel keenly the competition of those of another company.

¹ Sears, Roebuck & Co.'s net profit on sales of \$146,837,507 for the first six months of 1917 was 12.65 per cent.

Here would appear to be all the conditions of a very obnoxious monopoly. The trend toward combination has already set in in Philadelphia and the Middle West. One of these companies already has over 3,300 stores.

In short, there is very little of promise and much of menace in the coming of the chain store. If stores of this type have introduced some real economies, they certainly need give the saving to the consumer only so far as seems expedient in order to attract trade from the inefficient dealer. And when the independent is wiped out by a concentration of the chain attention upon a single community, then the chain need not give any advantages of economy for it will have it all its own way. In other words, the efficient store may fix its prices by the inefficient, giving the public only enough real or apparent attractions to win trade.

However, the profits of merchandizing which should be saved to the consumer are not so much as the downright wastes—wastes incident to competition, and wastes incurred by the present profit store to attract but not to serve customers; all sales pushing, for instance, beyond legitimate enlightenment of the consumer; all expenses, in short, not necessarily incurred to bring goods to the consumer.

Not profits of middlemen so much as actual wastes should be saved to consumers

It is the dealer's interest to incur expense whenever and wherever he can get back the amount expended with a profit. He will pay for all sorts of things which are more visible to the customer than all the concealed charges therefor. Excessive salesmanship, excessive or unproductive advertising, trading stamps, excessive rent, excessive service, too costly packaging and all manner of things which lure but do not serve the consumer come under this head. The consumer, uninformed or unthinking, feels that he is getting something for nothing, whereas he is getting nothing for something. The plain and repeatedly proven fact is that the consumer in the uneven contest with the dealer is habitually fooled into paying the cost of

a lot of lost and useless motion and also paying a profit thereon.

Closely related to the overcharge for the distributive service which the consumer requires is his uncertainty as to whether he is being overcharged at any given time, and how much.¹ He steps into a drygoods store and buys an article for ten dollars and of this price only one dollar is for distributive service. For the next article, perhaps in the same store, and costing him the same price, he pays five dollars for retail distribution. Why? Or he buys ten dollars' worth of food distributed through a certain channel and the purveying expense from producer to consumer is only two dollars. Another ten dollars' worth distributed through a different channel is charged a distribution tax of four dollars. Why? A disquieting thing about this discrepancy is that the high profit is on the article the consumer knows least about--tea, spices, etc., while the very low profit is on the article which is uniform in quality and everyone knows about, like sugar or nails. In other words, under the present system (or lack of system) the robbery of the consumer is committed in the dark.²

¹ In this connection might be mentioned the "installment plan," uncertain in the amount of its tax on consumers, but very costly as well as discouraging to thrift.

² Another thing which adds to the consumer's feeling of uncertainty is the wide variety of prices charged for the same goods in different parts of the country, state, or even city. An article in the *New York Times* for June 1, 1916, says: "Sea bass sold for 4 cents a pound in a Fulton Market and 25 cents on the upper west side yesterday. . . . Halibut at 14 cents on the wharves were worth 28 cents uptown." It is hard to believe that all this difference was accounted for by cost of cartage, ice and similar necessary physical expenses."

"A brass lock sells for 20 cents in Binghamton, 25 cents in Jamestown, N. Y., 30 cents at Atlantic City, and so on to 50 cents in Bangor, Maine, and Topeka, Kansas. . . . An 8-inch hasp and staple begins at 4 cents in Allentown, Pa., works up to 10 cents, which is the general rate, and stops at 20 cents at Atlantic City." *New York Times*, May 8, 1911.

CHAPTER IV

THE SOCIAL COST OF THE COMPETITIVE DEALER

"Forsooth, brothers, fellowship is heaven and lack of fellowship is hell; fellowship is life, and lack of fellowship is death; and the deeds that ye do upon the earth, it is for fellowship's sake that ye do them."—WILLIAM MORRIS, *A Dream of John Ball*.

"This is the time for America to correct her unpardonable fault of wastefulness and extravagance."—WOODROW WILSON.

That "Competition is War" is admitted even by its friends. Like war, competition for profit causes a brood of evils which would not be tolerated by civilized society except for the general belief that there is no other way. So we go forward trying to repress by regulation evils which are in fact inherent in the system.

Among the evils caused by our profit-propelled system of distribution of commodities are the concentration of wealth in few hands, the discouragement of thrift and the engendering of antagonisms, narrow selfishness and dishonesty. Some evils of competition

A privately owned store draws net profits to its owner as a magnet draws iron. If we take the percentage of net profits made by the various types of what are regarded as more efficient distributors, we find that a common figure of net profit to the owner in department stores is 6 per cent; in chain stores, 6 to 10 per cent; in mail order houses as high as 12 per cent; it probably would not be far wrong to estimate that 8 per cent net profit goes to the owners of agencies distributing \$10,000,000,000, or one-half our total products. In other words, \$800,000,000 probably flow from the pockets of the many to the pockets of the few rich each year by reason of consumers paying that much more than the cost of distributing their goods.

Here we are speaking of the money which each year the consumer public sinks in the bottomless coffers of a few of the large efficient distributing concerns. We do not here refer to the millions of dollars worth of goods handled by small dealers who make practically no profit. They waste for the consumer as large a percentage which is an economic loss, but not a cause of concentration of wealth. In both cases, however, the consumer loses.

Competitive trading tends to pour back wealth to the large dealer.

That the centralization of the wealth of society in the hands of the few is distinctly anti-social, few will dispute. It means at one end of the economic scale great and dangerous and largely irresponsible power in the hands of those who may or may not use it wisely or ethically, and who have within their caprice and choice the decisions that determine the life conditions of multitudes. It means at its worst the profligacy and extravagance and uselessness and parasitism of the idle rich who are recklessly lavish with the wealth they have never earned. It means at its best the well-being of thousands depends on the good intentions of a few. Such conditions of centralized and irresponsible power we no longer tolerate in the political order where lands have been made safe for democracy, and will no longer tolerate in the field of economics when we have had our house-cleaning there.

The centralization of wealth means at the other end of the economic scale that the major portion of the population is near the line of economic dependence, may be thrust below that line by any misfortune of sickness or unemployment, and must live with comparatively meagre opportunities. It robs the poor to profit the rich and then stigmatizes those who are too often the victims of an unfair system rather than of their own shortcomings. It makes them dependent and then despises them. It permits and supports institutions that bring this about instead of creating those that prevent and defeat this inequality, and in numberless cases society itself must therefore be held

responsible for the result, inevitable under its present system.

Any system which would cause the wealth centralized to-day to flow throughout society would do for it what the physician does when he causes the blood congested in some part of the body to circulate freely throughout the body. An addition of even ten per cent to the income of any family of modest income means increased richness of life and higher standards of living. Concentrated wealth is a menace to democracy and means an unequal and partial and one-sided development of society.

If the present system of selling were devised expressly to discourage thrift, it could hardly do so more effectually. What is regarded as salesmanship is selling a Discourage- customer what he does not want.¹ The average ment of thrift woman is no match for the modern trained salesman.

In our opinion, the average man and woman are not so indifferent to the good things of this world that, like a delicate invalid, things must be pressed upon them by all the arts of psychology and salesmanship. "Good business" for the dealer is bad economy for the customer.

There is the fact that, for the things thus sold, the highest obtainable price is charged; add to this the influence of buying on credit² and we have an anti-thrift system which

¹ See Chapter I.

² Says the American Bankers' Association:

"All large stores have made it a steady policy to encourage the opening of charge accounts, being liberal in their rules as to the credit risk. A man need have but a few good references and check up well to be honored with a place on the books of the house, where he may buy up to a certain limit, have it charged, receive his bill monthly and pay within a reasonable time, which should be two weeks. There are obvious advantages in this feature of modern business, and the department stores are constantly importuning people to avail themselves of such facilities. *But beware of this alluring bait.* It tempts you to over-buy, purchasing the things you do not need, perhaps, and would not buy if you had to pay cash.

"Human nature is alike everywhere. We all succumb to such temptations. The charge account does facilitate shopping, for you

is well-nigh complete. This surely is one reason why more than half the families in this country live in rented homes and one-third of the owned homes are mortgaged.¹

Thrift, which has a true eye to relative values, is not to be confused with tight-fisted penuriousness. Thrift recognizes the fact that a small hoard of voluntary savings is valuable not only as a sum of money but as the greatest source of independence and self-respect, and that to take no thought for the future and the rainy day is deliberate potential dependence.²

Thrift has had few apostles in modern America, but war has re-taught us its forgotten value. We are coming to see again how anti-social are the spenders. The individual who is thrifty is making himself independent, is cultivating self-reliance, is guarding against becoming a burden on society; but the wasters are destroying what labor has produced, are diverting labor and capital from where society most needs them to engage in trifling and unremunerative³ tasks. The competitive system when it stimulates thoughtless spending and carelessness in our use of money insidiously saps the moral fibre of the people and under such a system society is not conserving its resources or developing them for the good of the whole but is letting the profiteers waste the forests and mineral resources, reaping the immediate gains regardless of future do not have to wait for change, may return goods with ease and have a record of what you buy each month."

¹ The latest census of the United States gives the number of families occupying homes as 20,000,000. Of this number more than one-half, 10,700,000, are renters. Of the 9,000,000 who live in their own homes, 6,000,000 are free from debt and 3,000,000 are carrying mortgages.

² S. W. Straus says: "The records of the Surrogate Courts show that out of a hundred men who die three leave estates of \$10,000. Fifteen leave estates of \$2,000 to \$10,000. Eighty-two of every hundred leave no income-producing estates at all. Thus out of every hundred widows only eighteen are left in good or comfortable circumstances. Forty-seven others are obliged to go to work and thirty-five are left in absolute want."

³ Hartley Withers: *Poverty and Waste*, Dutton.

needs. It has made us a generation of spenders, from the under-paid woman on the East Side who patronizes the delicatessen store to the climbers and the gilded youths. Dr. E. T. Devine sums up the principle under it all when he says, "There is no economic function higher than that of determining how wealth shall be used."

The anti-social influences of whatever creates a necessary difference of interest between the dealers and the consumers and an unavoidable antagonism, covert or open, between them, are obvious. The foundations of social action rest on a community of interests. Social progress is in proportion to the degree of unity and community attained. Whatever divides people into separate camps is anti-social. Whatever unifies their interests and unites groups or classes is social. Our present competitive system is in its very name frankly based on the clash and struggle of differing interests. With the lessening of conflict and the growth of mutual aid in the evolutionary process, its power to serve diminishes to the vanishing point.

Not only does the present system directly concentrate wealth in a few hands and work against thrift, but competition for profit produces a relation of antagonism, and between dealer and dealer and between dealer and consumer there is a triangle of trade debasement which constantly tends to undermine moral standards and honest practice. If the relation between dealer and dealer is fundamentally warfare, that between dealer and customer is an armed truce. Between the dealer who stands back of his counter and the customer in front of it there is no mutuality of interest. Indeed, their interests are fundamentally opposite. As the profit rises the consumer loses and the dealer gains, and vice versa. The suspicion with which the customer regards the dealer and the consciousness of that suspicion on the part of the dealer is not conducive to an atmosphere either elevating or comfortable. To be sure, this relationship is veiled. It is none the less real. The dealer may not be dishonest nor

Profit-competition system makes for antagonism between dealers and between dealers and customers

the customer a pessimist, but statistics justify the eternal vigilance which has become so much a habit of the buyer that he is unconscious of it. The very system exploits the consumer. Profits are secret and are largest on the goods of which the buyer knows least. This is essentially unfair.

Influence on the shopper And how about the influence on the shopper! She is trying to beat the dealer at his own game. She shops and haggles. She feels obliged to get the most for her money. Again, there is the woman who, instinctively feeling the tension of the situation and hating suspicion and open warfare, becomes timid and cowed. How many women are so entirely lovely when they do the marketing that they would like to be thereby judged by their social friends? It is not a dignified business and should not be necessary.

Holyoake, the historian of the English co-operative movement, comments interestingly on the effect of competition upon the consumer: "If social truths found their way to tombstones, we should read many inscriptions to the following effect:

Here Lies

A 'Practical' Man of Business, who had an eye to the main chance which was always open.

His heroic life was an incessant contest with

His Butcher and his Buttermilk, his Baker and Draper.

He died through premature exhaustion

In trying to avoid being Poisoned or Cheated

Like so many others,

He perished ingloriously

The Vigilant Fool of Competition."

And how about the influence upon the morals of dealers and clerks? Where goods are unstandardized as are meats,

Influence on dealers and clerks vegetables and various other food materials, where qualities shade off into each other, what hope is there of the word "good" retaining any meaning? I was once told by the owner of large markets

in New York City that, for a certain department of his business there was no such thing as an honest salesman to be had. Let us hope that this was an extreme statement. But I have had more than one applicant for the management of the co-operative store with which I was connected deliberately advocate dishonest practices.¹ It has been well said that it takes more religion to hold a man level in a horse trade, or any other trade, than it does to make him shout at a camp meeting. In my private opinion, to put boys into a business where exploiting is recognized as legitimate and where deception is winked at, is simply a crime. The whole system and business tends towards blurring the moral sensibilities and producing just the characters of which the world stands least in need.

There is a better way.

Our competitive system means the slow poisoning of society. Its ethics and sociology are those of the jungle. Its law is the law of the talon. It is the economic struggle for existence, and the fittest who survive are the best fighters who profit most on others' losses. It is a fight to the death and its terrible mortality has so impressed its own devotees that again and again they have declared a truce and formed great alliances with each other. Combination is rapidly replacing competition in the field of production and we are witnessing to-day the coming of combination into the field of distribution where the chain-stores,—groceries, drug stores, five-and-ten-cent stores, cigar stores—perchance forerunners of a complete domination of this field by mammoth combinations. But this approach-

Increasing
combination
of dealers
only intensifies
conflict
between
Dealer and
Consumer

¹ For instance, one advocated mixing older animals with lambs and selling them to the less discriminating customers. Another advocated selling coffee out of the same bag at different prices. These two were both men in good standing who had occupied positions of responsibility in other stores.

I have repeatedly been told that it is well known in the trade that the only way to sell goods in very many houses in New York is to bribe the chef or other employee doing the buying.

ing elimination of one-half of the competition—that between dealer and dealer—leaves more acute and merciless the strife between dealer and consumer. For the latter it is exchanging King Log for King Stork. Where once the customer dealt with his corner grocer as man to man, he is now the pawn of gigantic corporations which have him at their mercy.¹ The second state of the unorganized consumer is worse than the first. The lines of division are becoming more sharply drawn and our economic structure is a house divided against itself.

Man is a many-sided being, a “harp of a thousand strings.” His life is influenced and modified by his physical environment, by his intellectual opportunities, by his emotional possibilities, by his ethical and religious stimuli, by his social advantages. The world about us plays upon us and our reactions precede and determine our actions. Our economic setting, although often overlooked, is a daily factor of major importance in our making. Every individual is a consumer, and how his world deals with him as a consumer may make or break him and is sure to mold him.

What judgment shall we then pass upon a distributive system like the one under which we live, which is based on economic antagonism, which is the sanctioned exploitation of the weak, which penalizes need, preys upon the poor and unsuspecting, and places a premium upon skill in concealing gains, which takes from the many under compensated and gives to the over-remunerated few, which has no stimulus to thrift for her who buys and few incentives to utter frankness and honesty for him who sells, whose very mottoes are, “Let the buyer beware” and “Every man for himself and let the devil take the hindmost”? Can a system which is fundamentally a device of injustice, and operates to profit the clever and strong at the expense of the unsuspecting, confiding and financially weak,—one which opens a gulf between seller and buyer, necessitates a

¹ “Take the face to face element out of a relation and any lurking devil in it comes to the surface.” Ross: *Sin and Society*, page 106.

constant struggle of their conflicting interests and means on the one side adulteration and short weights, incentives to sharp dealing, concealed profits, the jugglery of price cutting and subsequent recouping; and on the other, bargain-hunting, haggling and suspicion, an unending contest in the dark with no love lost,—can such a system ever guide human society towards its desired havens or produce the individuals the future needs? Is not its cumulative effect increasingly making for inequality and division? Is not the handwriting on the wall? Has not our present system of distribution been weighed in the balance of human good and ill and been found wanting?

PART II

REASONS AND THE REMEDY

CHAPTER V

THE HOPE OF THE CONSUMER

"One of the things that strikes me with regard to all co-operative associations is that the characteristic feature of an active life is co-operation."—WOODROW WILSON.

"As years go on I am more and more impressed with the idea that economic reform is likely to come through the agency of the Consumer rather than from other sources."—PRESIDENT HADLEY, Yale.

"The way to stop the trusts from fixing prices on goods is to take the goods away from the trusts, and then they will have nothing to fix prices on."—DAVID LUBIN.

I have shown how, by the present mercantile system, consumers are heavily burdened and placed in a position of disadvantage and uncertainty. In tens of thousands of homes these avoidable burdens amount to enough to make all the difference between hunger and comfort, and in the nation as a whole, involve an annual waste expressed in billions of dollars.

What is the remedy? To find it the cause must be located. Why are goods so pushed upon the consumer that he buys when he should not, and selects unwisely much that he buys? Why must he exercise eternal vigilance to avoid low quality and short measure? And why must he be heavily taxed to meet the expense of circuitous and inefficient distributive methods, including the needless duplication of parallel purveying agencies?

There is a single cause for all these things, namely, *profit*—the quest for concealed profit on the part of the dealer who controls the machinery of distribution. The dealer stands between the producer and the consumer and so manipulates the processes of distribution as to get the largest possible profit. His very success depends upon increasing the difference between the price received by

the producer and that paid by the consumer. To do this he must depress the one and elevate the other as much as possible. The dealer not only has no direct incentive to reduce the cost of distribution, but will add to it whenever the smallest fraction of the addition can be retained by him as profit. The exactions of this alien interest have been supposed to be limited by competition which force was also depended upon to insure economical methods of handling, and to pass on to the consumer the savings.

But competition fails. Never has there been such valid and voluminous testimony to the fact that competition

Growing distrust of competition not only utterly fails to protect the consumer, but enormously adds to his burdens.

From President Wilson and Mr. Hoover down through the state and municipal investigators comes an almost unanimous verdict to this effect. Nearly every measure adopted or reform recommended expresses or implies the fact that competition is no longer to be relied upon. What then? The measures of relief applied or suggested are of the crudest and most temporary character,—food seizure, fixing of maximum prices or state and municipal competition with retail traders. In most cases these are admittedly temporary expedients only justified by the war emergency, but they serve still further to awaken the already widespread distrust among consumers. The alarmist who claims that most of the present advance in prices is due to speculation is certainly wrong. But so is the complacent authority who asserts that speculation and extortion have no adverse influence upon the cost of living. One thing can hardly be denied,—namely, that consumers who have not already lost their faith in competition as a force to protect their interests are fast losing it.

An examination then of the present distributive system shows that it has a fundamental defect the removal of which is necessary in order to eliminate its evils. The short-comings of present distribution are all the logical results of one cause, namely—*the quest for concealed competitive profits.* The distributive

Evils of distribution due to competition for profit

machinery is run not in the interest of the consumers whom it is supposed to serve, but in that of the dealer whose interests are opposed to their interests. In order to survive, the dealer must continually seek his own profit. Thus the distributive system is wrongly motivated, and so long as this is unchanged there is little hope of relief from better physical facilities for handling goods, terminal warehouses and the like, nor in new mercantile systems—the chain store, public market or other innovation. Of better facilities and methods there is certainly great need, but the advantages of these are not at all sure nor even likely to reach the consumer so long as they are in the hands of interests which have no incentive to pay the producer more or charge the consumer less. At present, with the machinery of distribution under the control of the profiteer, there is and will be incentive to invent more economical methods *only so far* as the advantages accruing therefrom can be appropriated by the middlemen. This effectually cuts off all hope of radical reform in this quarter.

The Fundamental Remedy

Is it not therefore evident that the only way out is to get the distributive machinery out of the hands of a third party with alien interests and into those of the consumer public? How is this to be done, and is it feasible?

Let consumers build and own the machinery of distribution and operate it in their own interests. Here is the thorough-going remedy for the distributive problem of the consumer. By these means wiser selection is facilitated, pure goods are assured. The very lowest costs are made possible and the consumer is sure he is not exploited. A consumer-owned system the only cure

(Will it work? It has worked for about three-quarters of a century, is working now for tens of millions of people and has grown faster during the past three years than ever before. Starting in a small and humble way seventy-three years ago in England the growth has been steady and stable until now over a quarter of the population of the

United Kingdom own and operate the distributive machinery through which they are furnished with a billion dollars' worth of goods per year.¹

It can truly be said that the successful operation of distribution by consumers is practically sure where the known conditions and methods of successful conduct are met. The plan, the origin and details of which will be given later, is simply the ownership by consumers of the machinery of distribution,—local stores, and the other agencies as far back toward producers as seems desirable, and the operation of these facilities, not for profit, but for the advantage of consumers; all economies, after paying expenses, including interest on capital, to revert to the consumers buying the goods.

In effect, the consumers get together and unite their requirements, enough of them joining to buy in large quantities at the lowest wholesale prices, preferably of original producers. In this way the man sent to buy can be an expert judge of the goods and prices, can make laboratory tests of articles bought and buy to the very best advantage.

Organized consumers are not only in a position through buying collectively greatly to reduce the cost of what they consume,² but acting as a unit they become powerful in

¹ For record in detail, see later chapters, especially Chapter XXIV.

² Acting collectively consumers can hasten such remedies for the high costs of living as Dean Frank W. Beakmore of the University of Kansas points out, as follows:

"Let the Government check the decline in the purchasing power of gold by taking, automatically, seigniorage of the bullion that is behind the dollar, thus leaving the value of the dollar stable and allowing the weight to vary with the rise and fall of average price.

"Induce more people to engage in the production of raw material.

"Introduce scientific intensive agriculture in order to double production per acre.

"Revise the tariff by scientific treatment.

"Introduce simpler and less expensive methods of bringing the commodity to the consumer.

"Educate people in the principles and habits of true economy, thus doing away with extravagance and waste."

many ways to bring about justice to consumers. (For instance, organized consumers might stem the tide of injustice due to the constantly falling purchasing power of the dollar.) Thus are wholly eliminated the evils caused by the propulsion of the selling machinery by profit. The cause being removed, the ill results disappear. Removes the cause of the evil

Through Rochdale co-operative organization of consumers, American buyers can undoubtedly solve their problems when they have come clearly enough to see the evils of the profit system of distribution and the advantages of substituting a system in which the wrong motive is replaced by the right and natural one.

When, through co-operation, the push of the profit maker is superseded by the pull of the normal balanced demand of the consumer, he will no longer have forced upon him through well-nigh hypnotic influences the many things which he would be better off without; nor have his choice deflected to the buying of wrong things. Each normal need and desire of the consumer will have a fair hearing since there will be no profit motive incessantly to obtrude certain pushed articles. The removal of the din of aggressive advertising and salesmanship and the relegation of these agencies to their proper place will make for a better "balanced ration" for the whole man. With the disappearance of the profit motive and its disproportionate pushing of certain articles, facilities for wiser selection will be evolved to the immense advantage of the consumer. Co-operation facilitates wiser selection

How the problem of debased goods and short measure will be solved by an agency run for and by consumers is obvious. Such an agency, under the direction of salaried, professional buyers freed from the bias of private profit is the solution offered by the co-operative buying system. Overcomes the impure food, short weight evils

("In my opinion," says Dr. Wiley, "the desire for profit is the sole motive for adulteration and debasement. If that principle could be eliminated from the food

trade, all adulteration and debasement would naturally cease.”)

(In a co-operative store where private profit is unknown, there can be no temptation to debase goods in any way. For the purchasers at the store are also the owners.)

The co-operative manager is the professional purchasing agent, hired and retained by the store society to do its buying, run its store, and act as its impartial goods expert. He is a buyer, an executive and, most of all, a trained food specialist capable of carrying his inspection further than that of the housewife, however careful she may be.¹)

The manager and his staff cannot defraud their clients, the consumer-owners, except by plain stealing or receiving bribes from parties of whom they buy, which is a wholly different matter, rarer, more easily detected and punished than the crime of debasing goods, and because it is clean-cut, a far less insidious influence.

The manager's interests are identical with those of consumers; he buys for them as a trust with rights and duties clean-cut, and he is free from all incentive to the practice of petty deceptions.

(With the successful establishment of the co-operative system will automatically come the end of the short measure and impure food problems.)

How Co-operation Reduces Costs

As to the cost to the consumer, it is doubtful if civilized men and women do anything else in the world so inefficiently and so wastefully as they do their retail buying. The average consumer is ignorant of qualities and values, dickers over dimes, plays hide-and-seek with the man behind the counter whose business as an expert it is to get all the profit he can out of the trade. The merchant is playing at his own game and he must win to live.

The net profit of the merchant is derived from the sale

¹ No longer warned to “let the buyer beware,” she is freed from anxiety and in a position to exercise her choice of goods unafraid of debased goods or unjust prices.

of articles of the value of which the buyer is ignorant. The merchant profits by the ignorance of the consumer. Staple, well-known articles pay no net profit. Concealed profits are collected, as it were, when the consumer is not looking. Toll is taken while the buyer's back is turned. This is not due to dishonesty on the part of the merchant, it is simply a necessary incident of the concealed profit system working under competitive conditions. It is an evil and anti-social system that often attracts to the profession men who take to that sort of thing, and even tends to produce that sort of men.

Contrast this with co-operative buying under which, instead of figuring on a few cents' worth, the consumer joins thousands of other consumers and sends his trained expert to buy from primary sources of production by the car load or train load. The co-operative buyer, being a large buyer, meets the producer or wholesale seller upon equal terms. He is not at the disadvantage of the individual consumer whose haggling is futile, but conducts dignified negotiations and gets all the advantages to which his economic position and the backing of his large purchasing power entitle him.

*Thus represented by experts,*¹ the whole merchandizing machinery drafted into his service, he is in a position to be free from anxiety as to the honesty of quality and measure and the purchase price of all he buys.² "Co-operation,"

¹ Danson: *Wealth of Households*, page 238.

² The *New York Times* of June 16, 1912, gives an account of the installation of a testing plant by Commissioner of Accounts Fosdick. Here are examples of the value of testing apparatus to the city:

"The Street Cleaning Department a few weeks ago was offered, for instance, an oil at \$1 a bottle guaranteed to keep the hoofs of the horses in fine condition. A bottle of it sent to Commissioner Fosdick's laboratory enabled him to inform Commissioner Edwards of the Street Cleaning Department that the oil was about as good as any other bottle full of crude petroleum would be and was worth at least 15 cents a quart in the retail market.

says Danson, "enables them (the co-operators) to hire, for the common benefit of many, the skill so few possess. This brings them up to a level, in the market, with the sellers, and with the skilled buyers, who are employed by these sellers: the wholesale and retail dealers. . . ." Note that this buyer, once for all, judges of qualities and values and the consumer need not do it over after him.¹ There is no further need to dicker, for the final consumer gets the goods at what the car load buyer paid plus only the necessary and openly given expenses of bringing them to the place of consumption. In the case of the individual consumer buying of the profit merchant, the goods probably passed through several hands, each acting as a dam to obstruct the flow, and each raising the price. Under co-operation the woman who buys four ounces of tea in Wales is using the services of her selected purchasing expert who buys by the thousand chests in Japan. Between the Japanese grower and the Welsh consumer there is not a single middleman's profit nor any lost motion. Under this progressive system the consumer thus buys his supplies at as low a price and under the same laboratory tests as does the Pennsylvania Railroad or the U. S. Steel Corporation, the consumer paying in addition to the initial cost only the bare necessary expense of handling. All lost motion is cut out: what the consumer pays the producer gets, less only such expenditure as is necessary for physical handling of the goods or is voluntarily incurred to render service to the consumer. In either case, the items of expense entering into the final cost are recorded and public. By this system consumers are relieved of the burden of hundreds of mil-

"Similarly, a large shipment of a 'boiler compound' was sent to the Charities Department, guaranteed to prevent deposits on the interior of the boilers used in the steam-heating plants at the various city situations. A test in the laboratory made it clear that the Commissioner of Charities would do well to box coarse salt for the purpose, as that was about all he was getting in the 'compound.'"

¹ In Chapter IV, I have discussed the waste involved in the selling and re-selling process under the present system.

lions of dollars spent each year in this country to persuade them to buy, as well as through the cost of what they unwisely buy through aggressive salesmanship.

The wastes from rotting on farm or pier would be largely avoided since the numerous profit barriers between producer and consumer would be removed and instant demand created by putting prices to consumers as low as the natural situation would justify. Since a large part of the price of perishables is made up of profits it is easy to see how the profit motive fails to meet the problem of a glutted market. The pull of the consumer's need, through a system which cuts out net profits, would move the goods.

How much less will distribution cost co-operatively done than it now does under the profit system? There is not sufficient experience or data in the United States to furnish a valid basis for an answer Extent of savings to this question. This much is certain: through co-operation consumers can serve their own supplies at the exact cost of wholesale buying, plus that of transporting and breaking up into small quantities, and there is no way on earth in which it can be done for less cost.

Co-operation clears, straightens and makes free and downgrade the channel from producer to consumer. The co-operator, unlike the middleman, has a direct interest in removing crooks and dams. The miasmatic Co-operation the shortest route possible marshes of deception which line the way also disappear. The advantages of co-operative buying are so real and so many that it is hardly conceivable that American people will not insist upon the new order when its benefits are clearly seen.

If to the possible savings, by reducing the cost of the wholesale and retail middleman's work by, say, fifteen per cent of the retail price, be added the avoidance of such unwise choice as is induced by persuasion and the waste of adulteration and short measure, it seems to me within bounds to estimate that the total saving would be equal to at least *one-quarter of all we now pay for commodities.*

In the following chapters I set forth more fully the prin-

ciples of the co-operative buying plan. Then I want to ask the reader whether the principles are sound and, if so, whether they should not work, and cannot be made to work in this country in view of the success with which they have been applied abroad, and the enormous advantages which flow therefrom.

But the co-operative organization is not limited in its function merely to reducing the expense and curing the evils of dealers. It can reach back to the producer and act collectively in meeting monopoly or similar adverse conditions.¹

The animating motive of the co-operative society is wholly unlike that of the profit store company. It does not, strictly speaking, *sell* goods at all: it is rather a mutual *buying* agency.

We have seen that the profit dealer must employ expensive men to *push* sales in order to sell people not only goods they know they want, but goods they would not buy unless pushed upon them. The co-operators' agency, on the other hand, has its goods practically sold when they are bought, so that, once well established, statistics as to requirements largely take the place of guess work as to the quantity to buy and the selling tends to do itself. These are two reasons why it costs less to distribute co-operatively than it does in the speculation-for-profit way.

What I am claiming for co-operation is based upon the assumption that co-operation is properly established and efficiently carried on. The passing of a store from private

¹ It can instantly refrain from buying the article which is cornered until the price drops. For instance, the large soap makers, incited by private dealers, declined to sell to the Co-operative Wholesale Society of Manchester. As a result, the "C. W. S." is now one of the largest soap producers in the world. And because the London tea importers became too independent, the co-operative people now own extensive tea estates in Ceylon.

This explains how plain working men, inexperienced in guessing and in high pressure selling, have built up in the United Kingdom a business of a billion. See Beatrix Potter: *Co-operation in Great Britain*.

ownership to consumer ownership will not necessarily bring about real co-operation. Such change will, however, make the improvements possible, re-locate the motive and bring to bear the proper incentive. The great point is that in a co-operative store the results of all economies go automatically to consumers, while in a private store most of such savings go to swell middlemen's profits. The imperative need of the consumer is to have goods purveyed by improved methods and appliances and to have the financial advantages of these inventions *reach his pocket*. Organized consumers have the incentive so to simplify distribution as to reduce the cost, since their system includes a ratchet which returns the savings to the consumer-members. The private dealer has not this incentive. That system best suits the private trader which gives him most profit, not that system which saves for and serves the consumer. There is an economic law which insures that all improvements of a system which show economy tend to pass the major portion of such savings to the owners of the machinery. In present-day distribution these owners are the middlemen. The chain store or mail order house, if these are really more economical methods of distribution, will show correspondingly increased profits to their owners. Hence it is that big houses in these lines are able to pass to dividends the high rate of from eight to eleven cents of each dollar of sales. Let the consumer become the owner.¹

Of the ethical, social and economic by-products of the co-operative system, whereby the evil results of competition for profits are automatically removed by removing this cause, we write in Chapter X. But now let us get a closer view of Rochdale co-operation, its origin, organization and methods.

¹ "When all denunciations have stopped, when all protests have ended, when all investigations have been made of the high cost of living the intelligent investigator will be forced to the conclusion that co-operation is the only possible and lasting cure for the evil."—John H. Walker, President State Federation of Labor of Illinois.

CHAPTER VI

THE ROCHDALE PLAN

Capital should not hire men and by reason of such relation count men as servants. On the contrary, men should hire capital and treat it as a servant."—JUSTICE LOUIS D. BRANDEIS, U. S. Supreme Court.

In this chapter I wish to outline the Rochdale plan of organization, an invention which has enabled people to think co-operatively and to bring to pass results important in themselves and rich in promise to consumers and to society.

When, in 1844, twenty-eight old weavers in Rochdale, England, decided to join forces and start a store, they had very definite ends in view. About their first step was to study out a form of organization which would enable them to work together and attain those ends. By becoming their own merchants they sought to get only honest goods and to save for themselves such portion of the merchants' profits as was not necessary to pay out in actual expenses of handling the goods. They desired that each man should have and retain an equal voice in the control of the business even though some might contribute more capital than others. They did not wish to earn profits but to enable each to get his goods at the wholesale cost with nothing added except the necessary expense of handling them. At that time, however, there was no form of organization devised which would enable them to do these things, much less a law under which to incorporate.

The following plan was worked out, and it has proved to be one of the most valuable social instruments ever invented. First, capital with which to do business was subscribed by consumer members, each taking one or more shares of stock as is the case with an

ordinary joint-stock company. Second, in the control of the business of the company each stockholder of the society had but one vote for directors, etc., even though he might own more than one share of stock. Voting had to be in person, not by proxy. Third, the earnings of capital were limited to a rate equal to the prevailing rate of interest on money. Fourth, the selling prices of goods to individual members were made substantially equal to those prevailing in the community where the store was located. Fifth, the surplus above the cost of doing business was used: first, to form suitable reserves; second, to pay dividends or interest on stock holdings; and, third, the balance was returned to members in proportion to their purchases. Sixth, cash sales only were permitted.¹

Capital was recognized as a necessary servant, employed and paid wages, as such, but not treated as a master controlling the business by its vote and appropriating the profits. In fact, the use of capital was treated as an expense except that as an expense it was discriminated against by not being allowed any interest if

¹ To illustrate: Assume that a store society with \$10,000 capital has sold goods to its members in the year amounting to . . . \$100,000

Made a gross profit of \$25,000

Paid expenses of 15,000

And has what, in an independent store

would be a net profit of 10,000

The distribution of gains might be about as follows:

Reserve for education \$500

Other reserve 500

Interest on stock, 6% 600

Dividend on purchases, 8% or . . . 8,000

9,600

Surplus \$ 400

A member who owned \$50 in stock and had purchased goods to the amount of \$500 would receive dividend on stock, 6% \$ 3

8% on purchases 40

Total \$43

the returns from the business in any year were not sufficient to pay the interest—that is, the other expenses were met first.

And still, capital has seemed to be abundantly forthcoming on these terms. In many societies the interest rate has been reduced in the effort to check the accumulation of capital. There is here an important fact, namely, that a workingman may not be able to finance himself as a *producer*, but in a great majority of cases can furnish the capital with which to become his own middleman or *distributor*. For example, if a man buys \$400 worth of goods per year at a co-operative store which turns its capital eight times a year, he would need to own only \$50 worth of stock to be in fact his own merchant—that is, to furnish sufficient capital to finance his \$400 of purchases. This \$50 he could save in a single year with the average dividend paid by the British stores. Does this not point a way for the workingman to independence and dignity, which is worth careful consideration?

Voting, the Rochdale pioneers thought, should be done by men and women, not by money as in the ordinary capitalist company. Moreover, the member must show his interest in the matter voted upon by coming to the meeting; this led to the rule of no proxy voting. To this was added the “one man, one vote” rule which made it impossible for control of a society to become concentrated in few hands.

These provisions for securing democratic control have undoubtedly contributed greatly to the success of the movement. This rule of voting has further justification in the fact that the member of a society is more important as a buyer at the store than as a stockholder, and his interest in the management is greater on account of his purchases than by reason of his stock holdings. At all events, the vote by persons and not by shares has worked well and is fully in keeping with the fraternal spirit which inspires co-operation. In our political democracy we have adopted

this principle unqualifiedly by abandoning after trial the property qualification for voting and giving every man one vote regardless of how much wealth he has at stake in the community's or nation's policies.

I have said that the co-operators desire to make no profit on their goods, and yet they require that when goods are obtained at the store the individual member shall pay in an amount equal to regular retail prices. Why should the member not pay for his goods only wholesale cost and a proper allowance for expenses? This plan of turning over goods at current retail prices and returning the excess above cost and expense in the form of a dividend on purchases constitutes the keystone of the arch constructed by the Rochdale pioneers. The members sought to obtain their goods without any profit added, but had learned from many failures that to try to arrive at this figure in advance was to court disaster. So they hit upon the plan of making a price which was about the average in other stores and asking the member to deposit that amount until proper accounting was made when the excess, as nearly as it was practical to figure it, was returned in the form of a dividend on purchases. This plan makes for stability, strengthens credit, avoids needless demoralization and antagonism among profit competitors and has many other points to recommend it.

Goods were sold only for cash. We can imagine that the old mill hands must have had strong reasons for this rule for they themselves were doubtless sorely tempted.¹ Their little capital of \$1.44 was scraped together a few pennies a week while some of them doubtless knew what unsatisfied hunger meant. But they had in mind both the good of the member and the success of the store. Among the worst evils of the time was buying on credit. It was bad for the consumer and bad for any store which

¹ "Insisting also upon cash payments, the Pioneers helped their fellows to break the almost universal fetters of debt." Redfern: *Story of the Co-operative Wholesale Society*, 10.

did not heavily tax the consumer to make losses good. It did not treat members alike. It required extra expense to manage and keep accounts.

This in brief is the form of organization which the Rochdale pioneers invented, the value of which they so amply demonstrated and which, under their eager propaganda, they saw adopted by community after community. The seventy-four years which have elapsed since they launched it have seen it making enormous strides and spreading from land to land. They were humble men and almost unknown to fame, but they deserve credit for one of the greatest economic advances of the nineteenth century. Of the subsequent development of the movement a brief history is given in Part IV, but here it remains to point out how this same principle is applied in uniting stores to work together for their common interest.

It is advantageous to obtain supplies for the stores in the largest possible quantities. For this reason the various local store societies unite to form wholesale societies to deal with original producers and production. The Co-operative Wholesale Society of Manchester, England, and the Scotch Co-operative Wholesale Society of Glasgow were formed and are owned by the local stores. They are managed democratically as are the local societies. The local societies send delegates to meetings which elect directors to supervise these great institutions.

The wholesale societies which do an enormous business in furnishing goods to local stores have depots for purchasing in various parts of the world. They also manufacture numerous lines of products.

By reason of the completeness of its operation Lord Rosebery was moved to refer to the co-operative movement as "a state within a state," and the great Gladstone said, "There has not been a better thing done in this country, in my opinion, than the establishment of co-operation." Thus, the possibility and practicability of replacing the profit maker control of distribution by the consumer control

has been demonstrated beyond the shadow of a doubt, and England's leading economist, Prof. Marshall, says that he regards co-operation as "unique among all the achievements that have been wrought in the history of the world."

The organizations in France, Germany, Switzerland, Belgium, and other continental countries are similar to those in Great Britain. Reference is here made to this, though a fuller account is given elsewhere, to call attention to the fact that the Rochdale form of organization of consumers is adapted to all kinds of enterprises which are conducted in the interest of the consumers.

Rochdale organization adapted to various kinds of enterprises

A group may only operate a modest buying club, may run a bakery or a store or a factory or a farm or may federate to carry on any similar or more extensive undertaking, and the plan works out automatically so long as the aim is *savings to consumers*.¹

Consumers in co-operating are not limited to any particular form of agency or machinery of distribution. They can employ that which proves most efficient and economical. They may conduct department stores as the Belgian and German co-operators do, or chain stores as the Nelson Co-operative Society is doing in New Orleans, or any other form of distributive agency. They may invent new machinery. Again, they may buy in the most simple manner, every member really waiting upon himself at practically no expense to the agency, or they may conduct an elaborate store giving the most complete and perfect service. It is quite possible that the most exacting people may unite to get more satisfactory service than can be had from a profit store, as men form clubs to give them what is more satisfactory service and facilities than can be had at the finest hotels. The plan is endlessly flexible. This form of organization enables real co-operators to perform advantageously for

Store service simple or elaborate

¹ Producers' co-operation is discussed elsewhere, and is wholly different in principle.

themselves all sorts of services; for example, laundries and bakeries are increasing rapidly in England and have a few promising examples in this country.

As we come more and more to recognize the exceedingly beneficent things people can do for themselves by acting together, and the enormous power which united action brings, Rochdale co-operation will acquire new meaning for millions of people and become a vital factor in their lives. Especially is this true now when human society is on the eve of being born anew into a larger democracy.

CHAPTER VII

THE PASSING OF COMPETITION

"If three out of four provision stores to the block could be done away with and the entire trade handled by one store, the cutting off of duplicate plants would reduce cost by a very large percentage."—*New York Times*.

"Still another result of competition from which the consumer suffers is that brought about through competition for cheapness, real or supposed. . . . Besides suffering imposition from the result of such cheapness, consumers are very effectively and generally taken in by the jugglery of price cutting and bargain sales—advertising devices the profitableness of which depends on the skill with which their user recoups himself after having taken advantage of the human weakness for getting something for nothing."—HERBERT A. SMITH.

Time was when a community felt fortunate if two gas or water companies would lay their mains in the same street, thus promising lively competition and therefore low prices. Since consumers have learned that such economies did not abide and in the end they had to pay for all the pipes of the rival company and a lot more duplicate overhead expense besides that for the really used equipment, such duplications are no longer permitted by city governments.

Now an equally futile and foolish thing is still permitted where several times as many retail stores as are needed to perform the work of local distribution are started in a town. Competition between mer-
Waste of competition in re-
tailing
chants is in the last analysis not what it is assumed to be, namely, the survival of the merchant who performs the best service at the lowest cost, but is a competition in profit making among dealers. That dealer survives and flourishes who, while measurably serving the

consumer, really makes the most money. This being the case, competition fails to eliminate various costly things which the merchant does and which do not serve the consumer but do contribute to profits. In the words of a New York upstate newspaper, "There is no business evil worse for a community than too many grocery stores." It is only recently that we have learned that unrestrained competition as a means of protection to the consumer is not only well-nigh useless, but is in fact one of the chief causes of the high cost of distribution.

Perhaps the real nature and evils of competition in retail trade may be made so conspicuous by the present war policy of the government that serious attention will soon be given to the question of permanent relief to the consumer from the avoidable burdens imposed by the present unregulated system. It is becoming apparent that the needless duplication of stores, each with its set of overhead expenses, is about the most obvious cause of the excessive expense. The evil is steadily increasing. In 1850 there were 7.51 stores to each thousand people. In 1910 there were 10.92 per thousand. In 1850 there was one grocery to each 960 people, while in 1910 each 470 had a grocery. A Massachusetts legislative committee, in 1900, found in that state 12,441 stores where food was sold. Each store, on the average, had \$2,489 capital and sold only \$14,569 worth of goods per year. Prof. Richard T. Ely reported to the American Economic Association some years ago that stores were growing three times as fast as the population and that "in food supplies competition tended strongly to adulteration and general inferiority."

There is little doubt that the average community is burdened by an average excess cost of at least ten per cent by reason of its dependency upon competition as an all-sufficient protector of the consumer. There is apparently as much economy in distribution through large plants as compared with small ones as in manufacturing on a large scale as compared with small. And yet, while the large factory through its economy

**Economy of
large plant
distribution**

eliminates the less economical small one, the same is not true in retailing. The difference between a store which sells at a gross profit of fourteen per cent and one which sells at twenty-eight per cent is not plain enough to the consumer to put the costly store out of business. If in Massachusetts there were 12,441 stores selling food,¹ averaging only \$14,569 sales each, there were probably at least 10,000 stores selling an average of less than \$10,000 per year, for quite a number of big food stores in the state such as the "public markets" at Worcester, Lynn, and Brockton, Cambridge, each sell hundreds of thousands of dollars worth per year. It probably would not be far wrong to estimate that the consumers who bought the hundred million dollars worth of goods of the small dealers were charged at least ten million more than would have been necessary with the efficient conduct of only the necessary number of stores. Each laboring man was taxed on his \$400 food bill around \$40, or, nearly five per cent on his wages by this ill adjustment.

What is the remedy? How can needless stores and the burdens they impose be avoided? If competition between stores will not eliminate the inefficient, should not some other way be found? It will soon come to be seen that useless stores are as burdensome to the community as competing public service corporations.

In Germany the license system has been adopted and license is denied to all wholesalers and retailers who seem to the authorities to be superfluous. In nearly all our southern states business taxes are levied, which undoubtedly reduces the number of dealers to some extent. Moreover, the revenue from this source, forming quite a large proportion of the state, county and municipal receipts, probably impose little or no actual burden upon the people. In other words, the taxes if not levied would be largely offset by the burdens of excessive competition. However, these taxes are imposed with direct reference to revenue

¹ Mass. Census, 1905.

and not with a view to curing the excessive competition evil. Prof. Seager favors a business license system¹ and believes that without appreciable net burden to the consumer the state could derive a revenue from such licenses which would enable it to dispense with direct property tax.²

However, a license system to be effective in reducing to a proper point the number and capacity of retail units would need to take various things into account. For instance, the gross profits charged, average prices to consumers and general efficiency should be subject to official examination and report. In fact, licenses might well be given only to those who would contract to furnish goods at not exceeding a certain average gross profit over quotations in primary markets. Licenses should only be given to the competent and financially responsible.³

A great gain would be effected undoubtedly if only prices at all stores could be thoroughly inspected and made public in such a way as to show which stores are really offering economies and which are not. These figures should be gathered on budgets of standard qualities and average quantities consumed. Take a week's supply for an average family of flour, butter, potatoes, etc., say fifty articles in all, and publish the price at which the whole budget was being sold at each store. This would enable the housewife to govern her purchasing intelligently and not tempt her to go all over town buying one article here and another there, or leave her in perpetual uncertainty as to whether she were buying advantageously. And it might, if persistently carried out, so swing trade to the efficient stores that others would be eliminated.

There are stores of a certain class which depend for their success upon confusing or fooling the consumer. Low prices are conspicuously quoted on certain well known

¹ Seager: *Introduction to Economics*, page 560.

² See Nystrom: *Economics of Retailing*, Chapter XIX.

³ Nystrom, page 353.

staples which are so familiar to every woman that she knows the usual prices. These articles are used as baits to get people to the store and to convey the impression that everything in the store is equally cheap. But while these low prices are made prominent, hundreds of articles in the store, mostly of unknown brand and quality, are sold at good round margins of profit.¹ In the words of Justice Brandeis, U. S. Supreme Court,

"When a trade-marked article is advertised to be sold at less than the standard price, it is generally done to attract persons to the particular store by the offer of an obviously extraordinary bargain. It is a bait—called by the dealers a 'leader.' But the cut-price article would more appropriately be termed a 'mis-leader;' because ordinarily the very purpose of the cut-price is to create a false impression."

The so-called chain stores are famous for this. They have certain economies which must be admitted, but probably the element of fake in them is large.

The ideal arrangement for a town, as I see it, would be the organization of a strong and efficient co-operative society to conduct food distribution with all figures audited and made public by the municipality. The ideal food distributor

Now, what can be done through co-operative buying about the evils of competition? It looks to me as though the co-operative plan were so inherently economical and advantageous that, properly organized, it is bound to make headway against them. To be sure, the mere price advantage may not be sufficiently marked to win the support of the superficial and thus insure a dominating position. So long as present trade practices prevail, the sellers of most reliable goods How can co-operation cure the evils of competition?

¹ This trick gives a widespread impression of cheapness. The secretary of a prominent *state food investigating commission* recently said to me with much positiveness, "I know that — chain stores sell cheap because I just bought a cake of Ivory soap at two cents less than the dealer across the street charged."

at lowest costs are not sure to survive.¹ But undoubtedly co-operation with the judicious use of the license system in which licenses should be granted only to those agencies in the best position to serve the community, would solve the problem. Or, if prices were canvassed and published as suggested above, the well organized co-operative should be in a position to remedy most of the evils of competition. Again, co-operation plus the education which must go with it and the loyalty of members based upon mature judgment, should make the co-operative plan irresistible, by reason of its inherent economies.

But what prospect is there that consumers' co-operation can gain a foothold in this country against entrenched and powerful competition? What does it matter how co-operation would advantage distribution unless it can conquer competition? These are fair and pertinent questions, and he would be bold indeed who would assert unequivocally that consumers' co-operation can and will prevail.

But I should not be writing this book did I not firmly believe that co-operation can win. Let me give as briefly as may be some reasons for this conviction. **Reasons for faith in the ultimate success of co-operation** In the first place, I believe that distributive agencies operated by consumers can, from the nature of the case, be conducted at lower cost to the consumer than can competitive stores. For the latter incur various expenses to be paid by consumers which are unnecessary in co-operative distribution.

The first of these is net profit. The big chain stores, mail order houses and department stores—all of which are claimed to be efficient and economical distributors—seem to make net profits available for dividends to owners

¹ "Competition has developed the art of selling along lines very unlike those which the old-time economic theory recognized. Custom may be attracted, or extracted, in many ways besides that of offering the consumer what is really in his best interest. The man who succeeds is the man who understands how to apply salesmanship most advantageously from the standpoint of profitableness to himself."—Herbert A. Smith.

amounting to four, six and even ten per cent on their total sales.¹ Probably it would be fair to say that after paying six per cent on capital required, the average efficient large-scale dealer makes five cents net profit out of each dollar the consumer pays him. This five per cent under equal efficiency could be saved to consumers through co-operative distribution.

The net tax upon the consumer is due to the fact that efficient modern distributive agencies are engaged not merely in supplying goods wanted by consumers, but also in creating demand and pushing goods upon consumers. This push costs money which has to be paid by consumers. The money is spent for advertising and persuasive salesmanship of other kinds. It would probably be conservative to estimate this tax upon the consumer at another five per cent. Now, I recognize the fact that money spent by both manufacturers and merchants for advertising and sales pushing often so increases sales as actually to reduce the percentage of selling expense below what it would be without the use of these aggressive methods. But to this I reply that the successful establishment of co-operation implies the bringing to bear of the voluntary "pull" of the consumer's desire to make unnecessary that part of sales expense which is incurred to push goods against the resistance made up of the consumer's suspicion, indifference, inertia, and better judgment. That part of sales stimulation which is included in the giving of needed information to the consumer would be retained under co-operation. I estimate, therefore, that the consumer is avoidably burdened with a cost of at least five per cent on account of aggressive selling.²

¹ Based upon such figures as are published in financial prospectuses, annual reports, etc. Sears, Roebuck & Co. made net profits of over 12 per cent on sales for the year 1916.

² The justification for estimating this particular five per cent is not essential to the argument. The rate of tax is based upon consideration of numerous isolated data, but a fairly satisfactory guess is possible if one assumes that salesmanship of one kind and another

A third tax which competition levies upon the consumer would not show in final cost figures but is as real an impost. I refer to the miscarriages in selection due to over persuasion and losses from debasement and short measure of goods. These probably inflict damage of at least another five per cent. We may assume, therefore, that if consumers in this country average to pay fifty cents for bringing to them that for which the primary producer gets fifty cents, then that fifty per cent for distribution could, by co-operation, be reduced in the retail corporative account to not more than thirty-five per cent. This estimate of the economy of co-operative distribution may not be correct: these advantages and all others connected with retailing may not amount to more than ten per cent—or they may amount to twenty. The exact percentage, however, is not material. Here, at any event, is a decided economic disadvantage under which competitive merchandizing is carried on.

But whatever this gain of co-operative purveying, this would not be decisive, for statistics show that there now exist side by side agencies which give widely different average price advantages to consumers. The more costly still exist and often the really efficient go under because of lack of appreciation of the savings to consumers which they make possible.

As I examine my own state of mind and try to account for the hope which leads me to spend so much thought, labor and anxiety over co-operation, I am strongly reminded that this hope is not based so much upon the material advantages of the new order of distribution as upon the intangible benefits possible through co-operation. I am persuaded that when people learn to think co-operatively they will resent the idea of permitting to stand between them and the source of their supplies a procession of men who reap concealed profits by makes up 10 per cent of the retail price, and that of this expenditure one-half (a large allowance) goes to inform the consumer, and the remaining half 5 per cent to persuade.

acting in their own interest regardless of the welfare of the consumers. When a product leaves the ownership and control of the producer and before it reaches the ownership of the consumer it is sailing by a sort of dead reckoning in which the log is not revealed. It is uncomfortable to lose sight of the history of the orphaned craft and not to know what happens to nor why and how much it is taxed. We have an unsatisfied desire to know all about the things we buy: where they come from, how they are produced, how much in detail they cost and why. We want to believe the things we use pass through clean hands, that there is in my food the flavor of good will conferred by the producer and handler. And I somehow feel that this feeling is shared by the majority of consumers.

Is there any agency whatever which can bring about such conditions and service except the consumer-owned store, conducted not for profit, but solely for service? When once we have really had the vision of what a co-operative store can do for the consumer not alone by curing the evils to which I have referred, but by constructively going forth to anticipate and answer our material needs, will not many of us strive till we get it. Such a store is as much more satisfactory than the profit store as democracy is more satisfactory than autocracy.

Not only can co-operators buy as cheaply at wholesale as the competitive store, can get as far back towards the source, but they have a distinct advantage in **Influence on** knowing more definitely what and how much **store help** to buy. The co-operative store can perform the physical work of purveying as economically as the competitive store. It has the advantage of simpler and cheaper operation, and all these ideal sources of strength. What does it lack to enable it to compete with the competitive store? Many of my readers will say it lacks the one vital thing; namely, the management and initiative which can only be enlisted by hope of private gain. In the co-operative store the workers and manager cannot hope to own the store nor an interest in it, nor even to get large bonus from profits.

There are only two things a co-operative store worker can be sure of: a fair salary and an opportunity to serve. Possibly capable workers cannot be enlisted without the hope of profit. Perhaps the world is not yet old enough to have answered that question. But, for my part, I believe that the finest, best and greatest things are done in this world without the hope of material reward. To say nothing of professional work, civic and social work, philanthropic work, teaching, preaching, even in business to-day, as I interpret men, the very best work is inspired by other than pecuniary motives. I therefore believe that there are plenty of young men and women who are ready to respond to the challenge which democratic distribution will make. Will they not rise when opportunity offers, and go into the work with a wholeheartedness and devotion which money alone cannot incite.

My reader may not respond to these reasons why co-operation will prevail and may think there have been given elsewhere parenthetically, so to speak, stronger reasons. But these are mine and it gives me satisfaction to set them down.

Growth of
social-mind-
edness as a
motive in bus-
iness

CHAPTER VIII

SALESMANSHIP AND CO-OPERATION

"Advertising is perhaps the most important problem on which Business is now turning the searchlight of special inquiry. Probably no great world force has grown so much as advertising in the past few years. Thinking people everywhere are eager for a better understanding of this great power that touches almost everything that man eats, wears or uses."—W. C. D'ARCY, President, Associated Advertising Clubs of the World.

"Advertising has achieved more of high and worthy results in the last decade than in the preceding centuries since the days when the pleasure of the perfumed bath—with the side attractions of athletic sports and the slaughter of wild animals—were advertised by a tablet hung on the walls of Pompeii."—FORREST CRISSEY.

Human industry is largely devoted to securing the products of mine, forest, fishery and farm, shaping them for our use and displaying them for our choice. Tens of thousands of articles, the fruits of science, invention and industry in bewildering variety are laid before us for our selection. The bounties of nature from all parts of the earth are brought to our shores. Millions of men produce thirteen billions of dollars worth of farm products, and twenty-seven billion dollars of factory output in a normal year in this country. Everything that heart could wish, materially speaking, is laid at our feet.

Few people realize how far their welfare and happiness depend upon what they buy, or do not buy; how wisely they choose between the necessities, comforts and luxuries of life. This is true of the laboring man who has \$500 per year to spend for himself and family, and for the family which incurs an annual expense of thousands of dollars. Man was not

Buyer's difficulty is one of selection

made for things, but things were made for man,—a fact too often forgotten.

Too often I spend my money for that which does not help, but rather hurts me. It is not alone the money cost, but I am often in bondage to what I buy. My purchase may take my time and strength uselessly, or it may stare me in the face a perpetual reminder of my folly. Chosen perhaps on the spur of the moment, my purchase may cause a perpetual ill balance in my activities or expenditure of time. Or, on the other hand, what I buy may yield abundant satisfaction and contribute to permanent welfare. We are prone to forget how far a purchase may react upon our lives. The very foundation of wise living is the wise selection of what we buy, and wise abstinence from buying when that will contribute more to life.

As though the task of choosing wisely that which will in the largest degree minister to our welfare were not already hard enough, there stands between us **Wise choice hindered by aggressive selling system** and the source of the services and commodities we require ¹ a distributor working in his own interest who blurs our vision or distorts the products so that we make wrong choices. There is no estimating our loss from this cause. Such false reporting on the part of those in a position to know is an unfortunate source of distraction and confusion.

In a system of distribution like the co-operative, conducted for the greatest good of the consumer, **Advertising and selling under the co-operative system** what is the attitude toward present high pressure selling through advertising and persuasive salesmanship?

It is to the consumer's advantage that he make wise choices and meet his material needs at the lowest possible cost. To this end does he unite with his neighbors under co-operation. With this removal of the propelling motive which moves the machinery of distribution from the profit of the distributor to the needs of the consumer, all that which burdens and hinders the consumer is eliminated,

and only that is retained which actually serves him. Co-operators seek to develop a system of distribution which will include the dissemination of such information and furnish the simplest, while most efficient, selling service to enable them to get the utmost value and satisfaction for their money to the extent not only of buying the right things, but also of refraining from buying the wrong things.

The business of co-operative salesmanship and advertising is to render the utmost aid in helping the consumer to solve the problems of the consumer. Twofold quest
of the shopper

When a woman goes to buy she desires, first, that which best meets her individual tastes and wishes; and, second, that which offers best value for the cost. The first question is personal and only incidentally can she be assisted by another. The second question—that of quality and price—causes her much anxiety and trouble; and the chances are against her settling it to her best advantage. Practically no consumer can be a good judge of the quality and value of the hundreds of things it is necessary to buy in our day.

But under co-operation where the motive of the salesman is in entire harmony with that of the consumer the store management and its representatives, the advertising and selling force, can take this problem entirely off the shoulders of the consumer, and solve it far better than she herself could.

All this trouble and vexation of trying to judge of quality and price which each buyer goes over at every purchase, can be wholly eliminated by the co-operative store. Freed from profit bias, the whole store staff is at the sympathetic service of the buying consumer.

And notice that all this service for the consumer, performed by her co-operative buying agency far better than she could do it for herself, is actually performed at no net expense to her. All the arguments of the profit dealer's salesman to induce customers to buy the most profitable goods is net waste to society, and no small waste at that. Thus the shopper is freed from the anxiety of judging of

costs and allowed to exercise judgment on higher and more productive levels.

The object of the co-operative store is to aid its members in every possibly way in deciding what will best supply their wants and at lowest possible cost. The attainment of this object often includes advising the customer against buying at all, or advising the purchase of goods which pay in retailing the smallest margin of profit. In other words, the co-operative store is a consumers' agency run solely for the best interests of the consumer. Therefore, its aim is not to sell goods which will yield the largest amount of profit; it gives no bonus to its salespeople for selling PM's (profitable merchandise) as is done in the independent store. Nor is its object to sell the largest possible amount of goods to each individual customer. We have seen that it is for profit that the distributor spends money for advertising and sales pushing. What would consumers do about advertising if they were managing the machinery of distribution in their own interest? Before answering that question let us discuss more fully the kind of selling which should be cultivated in the co-operative store whose aims are fundamentally opposite those of the private dealer. Is there in the co-operative any such thing as salesmanship? Not if by salesmanship is understood "the power to persuade people to purchase products at a profit."¹

¹ "Competition for business, in a word, has created a special branch of applied psychology. Success in retail trade depends quite as much on skill in making people buy what they would not take or come for of their own motion as it does on efficiency in the operations involved in putting goods on sale. Specialists spend their time in studying how to get people to buy more. It is a common saying that the profit is made not on what the customer comes to buy but on what further can be sold him before he gets away. To a large extent salesmanship is the art of playing upon human weakness to overcome the healthy reluctance of a man or woman with a dollar in hand to give it up. Employees are coached in the use of the most conciliatory methods of winning the patronage of the public, and rewarded for deftness in accelerating the flow of the golden stream which has its small sources

Co-operative salesmanship is a thing of large responsibility and large privileges: the salesman actually puts himself in the consumer's place. To perform the service properly requires training and intelligence. The salesman is in effect a special lecturer and expert adviser upon the commodities which he handles. He should be able to advise as intelligently and in as unbiassed a spirit as does the doctor or the minister. He should know his goods, human needs and co-operation. Into this work he can put his whole soul without selfish reserve. He can speak with the utmost frankness, tell the whole truth and nothing but the truth. It is his privilege to render the highest service, that of helping his client to the best use of his hard-earned money, and he can look his client in the eye with that dignity and independence which come from the consciousness that his motives are unselfish. This new relationship creates an atmosphere in which full-blooded, straight-spined men and women can fully express themselves and develop life and strength accordingly.

Ordinary
salesmanship
vs. work of a
co-operative
salesman

It is not a small matter to be a part of an institution the aims of which are to minister to the lives of its members to that degree which is possible in aiding workers to translate their wages into forms which will yield the most real satisfaction.

The salesman will, in the first place, know as much as possible about the nature, utility and merits of the goods he handles. He will describe his goods in attractive terms, placing them before the customer as an accomplished hostess would serve a dinner to her guests; goods are appetizingly but not extravagantly described. The faults of an article should always be stated as well as its merits; in fact, more in the customer's purse and its wide mouth in the employer's till." — Herbert A. Smith.

Goods should
be described
appetizingly
but not ex-
travagantly

Says a writer in the *Co-Operative Consumer*, "Good salesmanship is only the art of making the consumer nod his head when he wants to shake it."

scrupulously. At the same time, in the interest of the consumer as well as store expense, customers should be aided as much as possible in coming to a decision quickly. The salesman should take up a subject where the consumer's knowledge leaves off and make the information as complete as possible.

But while the chief business of the salesman is the giving of information to the consumer, he should not be called upon to give information orally which could **True function of advertising** more economically be given by printing. Thus, advertising adapted to the co-operative aim has an important service to perform. One of the most important parts of distributing goods, at present the most expensive, is the giving of information about the goods. Articles produced to meet human need are very numerous and intricate, and new ones are appearing constantly. We never know, when we go to the store, whether something new has been produced since we last bought, something which will better or more cheaply meet our need. There are constant modifications of products, grades and qualities are altered and shade off into each other in a way to baffle the layman. How important, then, to be informed and to be informed without bias!

The true function of advertising—"setting forth," as the word means—is to inform the consumer about commodities. General information can be given through advertising more economically than through the salesman, while special information as to a particular purchase must be given by the salesman. To illustrate: in marketing shoes the advertising should tell about the style, the leather, the construction and give such other useful information as applies to all the shoes. But questions about tender feet, fit, etc., must be met by the salesman who is also competent to confirm and amplify the general information. The work of enlightenment is so divided that the salesman takes it where advertising leaves it.

Of course, advertising is written solely in the interest of the consumer. The "ad" writer and the salesman are

in the same position as a friend or professional adviser. They will advise with no bias whatever, as one would advise a member of one's own family.

It goes without saying that all suggestion, command, reiteration and persuasion—the staples of profit advertising—would be avoided. The writer of a guide book of travel advises the traveler what to carry and what not to be encumbered with; what to buy, and what not to buy, and always with enthusiasm for the scenery and the journey. It is in this spirit that advertising for co-operators should be conceived, inspired and executed. Such advertising, while recognizing and displaying the merits of an article, would not unduly magnify.

Advertising in the co-operative buying system would be far more effective than ordinary advertising. It would be more convincing; the reader would trust it because he would come to know that from first to last it was free from the profit bias. The expense would thus be reduced to a minimum, for distrust adds enormously to the expense of private advertising.¹

Thus informative advertising and salesmanship can be so used as greatly to reduce the expense of selling by hastening the flow of goods through a store, and thus lowering the percentage of handling expense. Salesmanship is the

¹ "I think the greatest cause of waste in advertising is in the fact that too large a section of the public is still skeptical about it. Too many people are still in the attitude of mind to say, 'Oh, that is only what advertising says; but it does not prove anything.'"—Hugh Chalmers.

One serious obstacle to distribution through profit merchandizing is that the conveyance of information through advertising salesmanship, and so on, meets the resistance of suspicion and distrust. When the maker of an article, or the merchant, praises his wares—whether honestly or not—the consumer is aware that the praise has a selfish motive, namely, to make the sale. It is not infrequent that the prospective buyer wholly discounts what the salesman claims. And the advertisement is distrusted and its claims discounted even more than are the claims of the salesman.

most costly factor in most stores, so that if consumers are sufficiently well posted and quickly enough informed by salesmen to enable them to do their buying in half the time, a corresponding saving is made. Not only this, but almost all expenses, including rent, insurance, etc., are cut down in the same ratio. Thus, advertising and salesmanship of the co-operative kind should be used to serve the consumer, not only directly, but indirectly by reducing the cost of handling his goods. Practical suggestions are made on these subjects in Part III in connection with store administration.

To sum up, then, co-operation would avoid the enormous waste due to persuasive, non-informing advertising and salesmanship, but would give much more real information to consumers regarding things buyable. By co-operative distribution the consumer would not only not be persuaded to buy, but would be guarded against buying foolishly; for here all advertising and salesmanship—like the whole work of distribution—would be conducted solely to serve the consumer.

CHAPTER IX

THE DEBITS OF CREDITS

"Annual income, £20; annual expenditure, £19.19 6d—result, happiness. Annual income, £20; annual expenditure, £20. 0s 6d—result, misery."—MR. MICAWBER.

There are three classes of consumers who ask for credit instead of paying cash for their goods. Three classes
of credit cus-
tomers

First, there are the well-to-do who prefer to avoid the trouble of paying cash for each purchase at the time it is made. They save some time and annoyance, especially when buying at a modern department store where they have to wait for a certain amount of red tape. It is much more convenient to order goods delivered and charged, return anything not wholly satisfactory, getting credit for it, and sending a check once a month. This class of people usually have the money to pay at any time and so do not care for the deferred payment as a loan. Merchants solicit their charge accounts, knowing from experience that the customer will buy more on credit, as a rule, than he would buy if paying cash; also, that he is more likely to buy steadily at the store at which he has a running account.¹

The second class is those consumers who think it a hardship to pay for goods when bought because it is easier to wait until pay day or for the receipt of money from some other source. There is a certain percentage of these who, through unexpected misfortune will fail to pay promptly and some fail to pay at all. With a very large percentage

¹ The big stores have come to vie with each other in urging persons to open accounts.—Massachusetts Commission on Cost of Living.

of this class buying on credit is an easy-going habit and could be overcome with decided profit and satisfaction to the consumer by the temporary exercise of a reasonable measure of self-denial. In the long run it is much better and more comfortable for members of this class to be abreast of the time rather than to lag one, two or more weeks or months behind.

The third class of people who buy on credit, if they can get trusted, are people who buy without knowing where the money is coming from to pay, or are reasonably certain when they buy that they will not pay. This class is happily small and all merchants hope to avoid them. But experience proves that they do not.

Bad debts are said to vary from one to four per cent of the gross sales of the ordinary store. Some well managed stores are able to get the percentage of loss down to less than one per cent.¹

The co-operative spirit is opposed to the idea of selling on credit and most such stores have rigid rules against it. But it takes back-bone to enforce the rule in some cases, and the back-bone in the management is sometimes lacking.

¹ "Four years ago the Bureau of Statistics of Labor undertook an investigation of noncollectible indebtedness, or 'bad debts,' in Boston. The whole number of dealers reporting was 1,183, and the number of debtors reported 72,540. The total amount of non-collectible indebtedness was \$1,064,384. Of this amount, \$704,433, or 66.18 per cent., was owed by the wage earning class; \$276,116, or 25.94 per cent, by the trade class; \$49,900, or 4.70 per cent, by the professional class; and \$33,845, or 3.18 per cent, by the moneyed class.

It was impossible to obtain the number of duplications among the 72,540 persons. The same person may have become indebted for groceries in different parts of the city or at different stores in the same part of the city; but it was evident, making a liberal allowance for these duplications, that at least 10 per cent of the residents of Boston, in the year 1904, were indebted for their food, rent, clothing, furniture or funeral expenses, and that the dealers who gave them credit had given up all hope of receiving payment therefor."—Massachusetts Commission on Cost of Living, 1908.

Why is it against co-operative principles to give credit? The first reason is that credit dealing costs the store and, therefore, the consumer-owners of the store, more than it is worth to members. The cost of selling on credit includes other expenses ^{Credit dealing expensive and unjust} than the losses from bad debts. To extend credit and watch it to see that it is properly limited and collection promptly made require much time on the part of some employee of judgment and discretion. This costs money. It requires the expense of extra bookkeeping; and collecting costs money and alienates members. Uncertainty regarding collections often makes it impossible for a store of moderate capital to take advantage of cash discounts on bills.

One of the cardinal principles of co-operation is to treat all members alike. To give credit to one and decline to give it to another or omit to give it to a third because he does not want it, is not living up to the principle of equal treatment of all.

Again, a co-operative society puts itself in the member's place and so refrains from encouraging credit buying. For a business man to take advantage of borrowed capital in his business is often a very good thing. But for a consumer to buy the necessities of life on credit, for him to habitually eat and wear things that are not paid for has many disadvantages. Food tastes better, actually digests better, clothing is warmer and looks better, to the one who knows that he *owns* his food and clothing.

It is the purpose of the co-operative store really to help its members, and in no way can it help them better than by encouraging them to buy for cash and thus avoid the higher prices necessary in credit buying and the temptation to the extravagance of buying too much.

This tendency to over-buy is one of the gravest evils of shopping on credit. If one must pay in labor for what he buys, he will buy less than he will if he pays in money, which is one remove from labor. But if he buys for credit—twice removed from labor—cause and effect will not be so

closely related in his mind, and he will spend much more freely.

The "pay as you go" plan has in many cases in England exercised a wonderfully beneficent influence over consumers. Improvident, long credit, hard pressed families laboring under the pain and humiliation of inability to pay, have become, under cash and co-operation, self-respecting, refined people with such savings—small though they might seem to many—as make all the difference between a feeling of opulence and a sense of poverty.

Co-operators are unalterably opposed to selling to consumers on credit. A system of deposit accounts has proved **Deposit ac-** convenient for those people who are used to **count system** having goods charged and do not like the incidental bother of paying each time they buy. This simply means that the consumer always keeps on hand at the store a deposit sufficient to cover his purchase for a week or two, and draws against this as he needs it. This is as truly buying for cash as payment at the store or C. O. D. payment, though possibly not as potent an encouragement to thrift.

CHAPTER X

HIGHER GAINS AND HUMAN VALUES

“It is a great thing to put trade on the level of morality. It is far greater to put competence into the hands of honest labor, so that every working household shall be secured against dependence or precariousness.”—*Co-operation*: June, 1914, page 172.

“Our greatness will appear
Then most conspicuous, when great things or small,
Useful or hurtful, prosperous or adverse,
We can create.”—MILTON: Quoted by Holyoake on title page of his
History of Co-operation, Vol. II.

“Before we can have a fully developed democracy the nation at large must possess those moral characteristics which have enabled co-operators to introduce democratic self-government into a certain portion of the industry, commerce and finance of the nation. It is, therefore, as moral reformers that co-operators pre-eminently deserve the place in the vanguard of human progress.”—BEATRICE POTTER: *The Co-operative Movement in Great Britain*, 240.

“Co-operation has succeeded in vastly improving the position of millions of the working classes by enabling them to obtain their provisions cheap and pure, to avoid the millstone of debt, to save money, to pass from retail to wholesale trade, and from distribution to manufacturing, building and house owning, ship owning, and banking, above all to educate themselves and to live with an ideal.”—*Encyclopædia Britannica*: Eleventh Edition, VII, page 84.

“The Queen is glad to learn of the success of a movement which not only encourages thrift, but also teaches the habits of business and promotes education among so large and important a body of her people.”—Sir Henry Ponsonby for Queen Victoria, on receiving a copy of the *Co-operative Annual* of 1883.

For the most part I have discussed co-operative buying as a means of serving the material interests of the individual consumer. Little attention has been given to the influence

of co-operative distribution upon the ethical and social interests of the individual and society. If these chapters should fall into the hands of any of the leaders of the co-operative movement in Great Britain, they would undoubtedly be shocked by what they would regard as my sordid views of the subject. British co-operators are given to treating with more or less scorn the person who joins the "store" for selfish reasons. If any of my readers are disposed to feel that what I have seemed to treat as mere by-products of co-operation are in fact of equal if not greater importance than the selfish saving, I am not disposed to deny it nor even to argue the matter. My sole purpose in writing this book is to help get consumers' co-operation established upon a solid basis in the United States and to that end it has seemed to me that I could contribute most by discussing the practical phases of the big subject. It would take a larger book than this and a better equipped writer, adequately to discuss the ethical and social influence of co-operative trading. I hope, however, that this chapter may send some of those who read it on a fruitful quest in this direction.

A popular minister once argued against social reform by contending that, given three men, it made little difference whether they stood side by side or in single file or two ahead and one back or one ahead and two back, for in whatever combination they stood they were still the same three men, and until they had been personally improved no rearrangement of their relative positions could matter. He might have been asked if one was always prostrate in the dust with the other two standing on him, or if two had to advance carrying the third, if their inter-relations would not in time have decidedly modified the dispositions and capabilities and characters of all. Tolstoi's famous illustration of the poor man carrying on his back the exploiting classes of the well-to-do and educated, who are sorry for him and who wipe the perspiration from his brow and advise him and point out the beauties of the landscape

to him, and do everything for him except getting off his back, helps one to realize that our social and economic inter-relations profoundly influence our lives. If those who have been riding have to get down and walk, and those who have been burdened beyond their strength are relieved of their load, those of both classes will be different persons. They can at least look each other in the eye. A clear-visioned reformer illustrates this point by telling of going to the entrance of Brooklyn Bridge at the rush hour and witnessing the mad scramble for seats in the cars. Women and children were thrust roughly aside. Age received no consideration. He said to himself, "What brutes these men are." The next morning he was in upper New York and noted how different men were in entering the cars. They stepped aside while the women took precedence. They gave up their seats to the aged. They lifted on the children. He said to himself, "How different these men are." Then he looked again and saw they were the same men—but under different social conditions.

The baleful effect of the present competitive system upon individuals and society has been studied in chapter four. The effect of a system based upon co-operation—the working together of all and especially the consumer and the dealer—remain to be ^{A just dis-tributive system} set forth. The three great factors in every life are heredity, environment and free will, and the economic part of our environment is so all-saturating that if that makes for justice and equality we shall be far on our way to the ideal state. The domestic relationship alone is as persistently present as the economic, the political far less so. If we can replace one that makes for division in society by one that makes for union, can replace one that makes for economic inequality by one that makes for economic justice, can replace one that is filled with subtle temptations to deceive and overreach by one that encourages mutual aid and openness and fair dealing, we shall have moral and social advantages that will outweigh a great economic loss. But if the system that yields a great

economic gain also gives a moral tone to business from top to bottom and moralizes the distributive system, we have incalculable gains. The golden rule of competitive business was rightly phrased by David Harum as "Do unto the other fellow what he is going to do to you and do it first," but the golden rule of co-operation is put into practice just as it was stated by the practical idealist of Galilee. Society gains inestimably when men can do business and women can go shopping on the highest moral plane. It changes trade from a social and ethical liability into a social and ethical asset and makes it a great uplifting influence.

What, then, are the by-products of Rochdale co-operative buying? How does a distributive system from which the profiteer has been removed affect the consumer, the producer, the present middle-man and society generally?

By-products
of co-opera-
tion

To the consumer the advantages of co-operative buying are such that he should get a new conception of, and take a new interest in buying. The necessity for shopping and haggling ¹ to get the best quality and lowest cost is wholly eliminated from his life. He has delegated that duty to his buying representative who goes into primary markets and gets such assurances of quality and cost as are impossible for the individual consumer. The consumer is left free to exercise his individual taste and preference, but the

¹ It may be urged that with the adoption of the one price system such dickering has been practically eliminated, at least among reputable dealers. What chance is there for bartering when an article is sold at one price to all? The across-the-counter bargaining between the salesman and the individual consumer is indeed being done away with, but the principle is not. The reputable store marks an article at a certain price and the individual customer must either pay that price or go away without it. But when a dozen or a score have priced the article and gone away without it, while few—and they uninformed—have bought, next day the price goes down. So the principle of charging all an article will bear is still in force but the rules of the game have changed.

bugbears of under-quality or over-charge are forever removed. Thus is co-operative buying organized economy and economy without any undignified annoyances on the part of the consumer. He may waste in the unwise exercise of his own taste, but whatever he buys will be the best value of its kind obtainable in the wholesale market. The consumer is not urged to buy and often is even influenced against making wrong choices.¹

These aids to economy and the paying back of savings on cost in a lump sum are found to be great helps and incentives to thrift. Saving is made automatic and thrift easy and dignified. Many co-operators in England have been led to save until they reach the dignity of small capitalists. Some have paid for their homes out of dividends. As Mr. William Maxwell, president of the International Co-operative Alliance, says, they "eat themselves into a home." The co-operative plan is a school in high values and an aid to the restraint which makes the dignity of a bank account and proprietorship. To the laboring man the consciousness of ownership in the store, small though the stock-holdings may be, tends to give a feeling of independence and a wholesome attitude towards property.

The social gain can be estimated only by those who can visualize how much the increased spending power that, for example, the three to four million co-operators of England gain by the return of ten or twelve per cent of their expenditures means in better and more nourishing food, better housing conditions, better furniture, more culture, increased education and travel.² It is said that you may know a

¹ When the Rochdale Pioneers added a drapery department to their store, it was decided "that they should not provide a stock of fancy goods—'bobby-dazzlers'—to tempt workingmen's wives to indulge in unnecessary expense.—Redfern: *The Story of the Co-operative Wholesale Society*, page 98.

² Without doubt this close and constant tie between the entrepreneur and the customer accounts for the unmistakable rise in the

co-operator in the streets of Lancashire and Yorkshire. The men are better fed, the women better dressed, the children are healthy and plump. Experience has shown these returns are a free margin to be used at will and that they either go with savings or with a higher standard of living. They make thrift possible.¹

Co-operation increases equally the co-operators' power to help others. Experience shows that the co-operator is not merely a seeker of dividends. He is at trouble to further honesty in business and to use his newly won power, even at a sacrifice to himself at times, to render his co-operative enterprise useful to his neighbors and to better the condition of the poorer classes. The co-operators have been pioneers in the weekly half holiday movement for store workers, and the higher wages they pay and the shorter standard of taste, for the knowledge of real value, and consequently for the stability of demand that is characteristic of consumption in the co-operative districts.—Beatrice Potter: *The Co-operative Movement in Great Britain*, 208.

One member of the Rochdale Society had invested 5 pounds and in 11 years, without paying in anything further, his dividend accumulating from his purchases made him the owner of 125 pounds. Another member had put in 6 pounds and invested 1 pound more and in seven years had 110 pounds. Many societies make it possible for one to become a member on payment of one shilling, and some on payment of six and even three pence, allowing the dividends on purchases to pay for the 1 pound share of stock.

¹ The skilled workers who availed themselves of co-operation and trade-unionism, discovered an increasing margin between the cost of sheer animal necessities and the purchasing power of their wages. The railway companies became aware of the greater spending capacity, and cheap trips multiplied.—Redfern: *The Story of the Co-operative Wholesale Society*, 114.

The studies made by Fay in his *Co-operation at Home and Abroad* show that the quarterly payments of dividends are followed by increased trade in the stores, that many depend on the dividends to reclothe the family, refurbish and generally add to the comfort of the homes. Some depend on the dividends to pay rent and some to pay installments on building loans through which they are purchasing homes.

working hours they require, put them as employers in a class by themselves. The Scotch Wholesale started certain manufactures, such as shirt-making, at an immediate loss, to avoid dealing with firms which employed labor under bad conditions. The English Co-operative Wholesale Society has consistently striven to minimize the evil of lead glazing. It has used its enormous purchasing power to support only the better employers, put on sale leadless glaze ware, and wherever possible given its preference to pots made by processes in which lead is least used.¹

The Rochdale pioneers from their first year gave 2½ per cent of their profits for education, and this example has been quite generally followed. They spent this money at first on reading rooms and newspapers and those were the days when newspapers costing four pence to six pence each were beyond the reach of the wage earners. They established a school to teach their young people reading, writing and arithmetic, charging tuition fees of two pence a month per pupil. Libraries and reading rooms were valuable adjuncts to co-operative stores until municipalities took them over. The co-operators were the pioneer advocates and providers of newsrooms, public libraries, and evening classes. They have brought into countless lives educational and cultural advantages they would not have possessed otherwise—literary and dramatic circles, lectures and conferences, social entertainments, travel parties at home and abroad. The co-operators of England hold two scholarships at Oriel College, Oxford, of 100 pounds a year each, for the sons of co-operators.

In no place has co-operation been carried further as a mutual aid movement than in Belgium. Albert Sonnichsen, in an article on "A Baker and What He Baked," in the *Outlook* for December 27, 1913, tells a wonder tale of mutual help within the Belgian co-operative movement. This started largely around the bakeries and does not distribute its dividends directly but invests them in great Maisons du Peuple and their work. During the distress of pro-

¹ Redfern: *The Story of the Co-operative Wholesale Society*, 163.

longed strikes free loaves are distributed from the co-operative bakeries to the unemployed. Free medical care is provided for the co-operators and their families. The first day after a baby is born a big cake comes from the bakery and free loaves for twelve days afterwards and a trained nurse is provided one week at that time without charge and for months afterwards she makes daily visits to the mother and child. Whenever a wedding occurs a free wedding cake is sent to the bride's home. The Maisons du Peuple are great clubhouses for the people, recreational and educational centers with gardens and which provide moving pictures, dances and reading rooms, concerts and dramas—the plays most often given are those of Maeterlinck. The great Ghent Maisons even provides a studio for Jules Van Biesbroek, the famous Flemish artist and sculptor, and the members subsidize him as he creates the new art of the labor movement. Children are exchanged between sections and with countries speaking different languages that they may learn other lands and other tongues. Walking tours are arranged for the children's travelling clubs, so that each evening their itinerary brings them to a co-operative center where they are met and entertained and distributed among the homes for the night and joined the next morning on their departure by the children of their hosts. These parties of older children often cross the frontiers and by adding only the cost of railroad fare and boat fare to the expenses, even journey to Switzerland and England. In the mining districts whose degradation Zola painted in his "Germinal," co-operative uplift has completely changed the character of the population.

Some day the story will be more generally known of the rebirth of Denmark and later of Ireland through co-operative agriculture. And a like miracle will be recounted by him who writes the story of what co-operative credit has done for the German farmers, enabling them to purchase farm implements and machinery and fertilizers which were once entirely beyond their reach. And these gains are

being reaped by the nations as a whole in the better people they are producing. And now and then the co-operators have helped directly in dramatic ways. The Scotch Co-operative Wholesale loaned half a million sterling to the city of Glasgow when it was in financial straits during a great panic. And when Baring Brothers failed, the British common people, who as co-operators had become capitalists, advised the Bank of England it could draw on them for five million dollars. During one of our great panics when no one had faith in the shattered credit of our capitalists and the panic spread to England, the competitive factories shut down or ran on short time and lowered wages. But the co-operative factories ran full time at usual wages and met all demands of the retailers. These are but random pages from the history of co-operation, but they indicate the power to help others it gives to those who enlist in its beneficent forces.

Not the least advantage to the individual which would follow the removal of high pressure selling methods would be the elimination of its materialistic influence. We are largely unconscious of the influence which is exerted over us by aggressive selling, but the removal of this influence and the substitution of an agency behind which are motives and incentives in harmony with the utmost welfare of the consumer would have a profound influence over our lives. We are obsessed with the idea that money is all-powerful to command the satisfactions of life inasmuch as it is the key to unlock the doors of material things. Our attentions are focused incessantly upon material things, and their importance is constantly magnified so that we come to regard our lives as dependent upon them; whereas, when the total resources of the human soul are taken into consideration, the ministry of material things is relatively unimportant.

The producer is helped by co-operative buying to the extent that his product is less taxed on its way to the consumer, thus making it easier for him to get fair prices

for the finished product. Undoubtedly co-operative buying will, in many cases, give the producer a fairer return, especially such producers as will exercise care in grading and will so identify their product that consumers may recompense them for their care. The producer is also helped by the larger purchasing power of the consumer, a condition brought about by the consumer's saving of the wastes and profits of the old system of distribution.

Profit dealers and their assistants are in some respects in an unfortunate attitude toward the consumer and society. Their success depends, or is thought to depend, too largely upon hurting their customers. A consumer is hurt when he is caused to buy what he ought not to buy or pays too much, or when he fails to get what he thinks he is getting. The temptation is constant, and the injury is too common. The concealed profit motive here exerts a wrong pressure and is anti-social. Contrast this motive and attitude with that of the co-operative manager and store workers. Which will attract and make the better boys and girls and men and women of the store workers? Which is better—the mercantile motive or the motive of disinterested service which is known to the consumer to be wholly free from sordid selfishness? Think it over.¹

There are countless honest dealers and honest clerks in the present competitive system, but the system tends to undermine rather than to re-enforce their good motives. Many who might otherwise be scrupulous find themselves betrayed unawares by subtle temptations into compromises which are undeniably profitable and are regarded as legitimate by their competitors and bear no stigma, but are expected by the public. Too often the well-intentioned merchant is like the cat in *Æsop* which was changed into a beautiful woman and got along without betraying itself

¹ Mrs. Beatrice Potter Webb says of the system, in her book on *English Co-operation*: "You can tell a co-operative store man across the street by the way he carries himself. Dignity in place of servility."

until a mouse ran unexpectedly across the table. Personal profit is very like that mouse.¹

Nothing more beneficial could come into the business lives of the storeworkers than the transformation from competition to co-operation which would start them out each day with the necessity of telling the truth, the whole truth and nothing but the truth, of concealing no defects, of giving honest weights and measures, of taking the point of view of the customer and seeking his advantage alone in every transaction, of helping him to buy wisely and economically. Every clerk and merchant would sell to every customer as if buying for himself. Every incentive to dishonesty is taken away by co-operation, for the customer is his own merchant and if the clerk deceives him he is deceiving his boss. There is no place for dishonesty or deceit in co-operation.

As co-operation is established thousands of superfluous storekeepers and their employees would be released to enter the ranks of producers where they are sorely needed.²

Superfluous
store-keepers
turned into
producers

What of the gain to society as a whole? All that is saved by more direct and simple distribution is saved to society. The British co-operators paid themselves back savings

¹ "Profit on price Robert Owen regarded as the forbidden fruit of industry—as the potent poison exciting the economic man to fraudulent devices and selfish monopoly—in short, as the origin of industrial warfare."—Beatrice Potter: *The Co-operative Movement in Great Britain*, 205.

"It is the province of Law to make it as easy as possible for men to do right and as difficult as possible for them to do wrong."—W. E. Gladstone.

² It is sometimes asked if it is not unfair for a non-profit store to compete with the small dealer who must have his profits to live on. If the dealer, small or large, must charge more for the services he performs than like services cost when performed by consumers for themselves, no. To support the profit dealer is to favor the inefficient and wasteful and to burden the consumer unnecessarily. Only those willing to turn back the wheels of progress would thus withhold their support of co-operation.

last year of \$100,000,000. If the total retail purchases of America were subject to the same saving, the resources thus conserved would be enough to pay the two billion dollar war tax now being levied by congress. But what is more, these savings remain in the pockets of the consuming millions instead of either being wasted in inefficiency or permitted to flow into the hands of the already rich. Net profits have a way of gravitating to the center of society, thus causing further centralization. At a time when economic forces are sucking up the profits of the circumference of society and depositing them to the credit of the millionaires, such a dam as is afforded by collective buying should surely be welcomed.

It becomes increasingly evident that co-operation offers the only adequate curb on monopolies, the only sure way of fighting the trusts.¹ While our government has been winning technical and empty victories over the great combinations of centralized capital which have resulted in no loss to the multimillionaires and no gain to the consumers, complete and effective successes have been scored over like combinations by the co-operators of Europe. The Scottish co-operators have had a severe struggle with the great soap makers. The Scottish Wholesale for years bought hundreds of thousands of dollars worth of the famous Sunlight soap. Its makers insist on a standard price for it. Some traders' association insisted that by returning the profits in dividends the co-operators were really cutting prices and the Sunlight people demanded that this be discontinued, and

¹ At an international co-operative congress held in Cremona, Dr. Hans Müller, a Swiss delegate, presented a resolution calling for the creation of an international wholesale society. Luigi Luzzatti, the Italian Minister of State, who was presiding, dramatically raised his hand and said: "Dr. Müller proposes to the assembly a great idea; that of opposing to the great trusts, the Rockefellers of the world, a world-wide Co-operative Alliance which shall become so powerful as to crush the trusts." See A. Sonnichsen: *Consumers' Co-operation; the New Mass Movement*.

when this impossible demand was refused, they announced they would fill no more orders of the co-operators. The Wholesale immediately asked all the societies to boycott Sunlight soap, supplied a substitute, and in six months established a sheep-fat reducing plant in Australia, and a soap factory at home. The Scotch co-operators number 30 per cent of the total population and they are absolutely independent of this great corporation and Sunlight soap is never sold in their stores.

When twenty of the great soap makers of England tried to combine in "a working arrangement" controlling a capital of 12 million pounds, the newspapers of England raised such a turmoil that the people of England found they had an alternative. The Co-operative Wholesale had a soap works which was producing 265 tons weekly but this anti-trust agitation increased its output to 660 tons weekly. The trust was dissolved. To regain their lost trade Lever Brothers brought thirty-eight actions against co-operative stores which had supplied co-operative soap to customers they had instructed to ask for their articles. The co-operators won and are to-day among the largest manufacturers of soap in the kingdom. The Wholesale has, since this contest, still further assured its position by securing in Sierra Leone, West Africa, a government concession for the sole right to erect a factory and produce palm oil within a circle of three hundred square miles. This assures a supply of the raw materials.

The Scottish Wholesale fought a ten years' struggle with the meat dealers who refused to sell to the co-operators. Both parties sent buyers to Canada. There was much litigation but in the end the Wholesale was able to import its meat independently. The Swiss co-operators, however, proved their power most convincingly in this very field. The firm of Bell & Son dominated the whole meat supply of Switzerland, and by a system of packing houses and chain stores dictated the price of meat to everybody. The Swiss Wholesale declared war on Bell & Son and Bell & Son capitulated and asked for terms. The Wholesale insisted

that Bell & Son sell out to them and this was done, first the controlling interest being secured and then the private stockholders bought out. So now the organized consumers of Switzerland control their own meat supply and own their own packing houses and chain stores. This was not the first great victory of the Swiss Wholesale. When it undertook to supply boots and shoes to its local societies, the shoe trust, the Boot and Shoe Manufacturers' Association, refused to sell to them though willing to sell to the local societies directly. The Wholesale planned a boot and shoe factory and after it was bought the shoe trust offered to come to terms but too late. This factory took one-fourth of the trade from the shoe trust and that combination was forced to dissolve. It likewise forced the flour trust out of existence. And now the Swiss co-operators are engaged in a war against the Chocolate Syndicate and they are being supported in this by the co-operators of other lands.

The Swedish Sugar Trust absolutely controlled the Swedish sugar market and charged more for sugar than its price in any other country. It crushed out individuals who attempted to compete. It would allow the Swedish Co-operative Wholesale to sell only to societies in the neighborhood of Stockholm. That society decided to import for itself and fight the sugar trust. The trust lowered its prices so they were below those of other countries. In the bitter struggle of price cutting the Wholesale proved to have the greater endurance. The trust offered to compromise but the Wholesale had established its own importing department and freed all its societies from the shackles of the trust. The struggle forced the Swedish Parliament also to take legislative action against the trust, and break its control over private dealers as well. The Swedish Wholesale at the same time fought the margarine trust to a standstill and forced it after a loss of 2,300,000 crowns to dissolve. The Danish co-operators are slowly winning their fight against the cement trust by establishing their own cement works. In Sweden a concerted effort was made to destroy co-

operation by the competitive forces. One after another the margarine trust, the soap syndicate and the cocoa manufacturers refused to sell to the Wholesale. Then the Retail Dealers' Defence Association and the manufacturers demanded of the bank syndicate that all Swedish banks should boycott every co-operative society in the country. The result was that the co-operators organized their own bank and soon the Wholesale had enough money to be entirely independent of the trusts and combines against it.

These struggles are doubtless but preliminary skirmishes in the great battle to the death between the autocrats of industry and the democrats. The co-operators have not lost a single contest. Their united capital and their enormous purchasing power make them the equals and the superiors of all possible combinations of monopolists and profiteers. The world is being made safe for democracy.¹

[Another vast economic gain would come through co-operative buying from its positive tendency to gather and prevent the waste of millions of dollars' worth of produce which now rots on the ground because the market is not in a condition to pay the succession of profits which now obstruct the way to the consumer. Through consumer-controlled distribution this food would be moved to the place of greatest need.]

The co-operative group affords to its members an excellent training for citizenship. Co-operation is a school of democracy. The very conditions of success in democratic distribution are such as to train men for political democracy. The members must forego the immediate advantages for remoter good, must

Utilization of
the "Over-
supply"

Co-operation
a training for
citizenship

¹ On this subject of the struggle with the trusts read Redfern: *The Story of the Co-operative Wholesale Society*, pages 241-252; Middlebrough: *Co-operation: A World-Wide Movement*, pages 13-14; *The Co-operative Consumer*, December, 1915, pages 42-3, and other periodical literature, but especially Albert Sonnichsen's two articles, *Consumers' Co-operation, the New Mass Movement*, reprinted from the *American Review of Reviews* and *The Menace of Co-operative Stores in Printers' Ink*, August 7, 1913, pages 3-8.

exercise restraint, and above all be moved by the spirit which is the motto of the British movement, "Each for all and all for each."

Organized consumers are in a position positively to insist upon fair labor conditions among those who produce and distribute their goods. The spirit of fair play will see to this and also the closer relation between producers and consumers will enable the latter to note that fair conditions and sanitary conditions are wont to go together, and one of the chief objects of co-operative distribution is, as we have seen, to insure sanitary production and distribution. More and more people, when they step up to the counter to buy, desire to learn something more about the history of what they purchase than the quantity and price. They want to know how much oppression, injustice and wickedness are connected with its production and distribution. Housewives desire that their food shall not taste of starvation wages paid in the manufacture, nor trickery and deception in the merchandizing. We do not need to dwell upon the appalling amount of deception of all kinds brought to light in recent years. We may, however, say two things: namely, that the amount of fraud and dishonesty successfully practiced in preparing our necessities is way beyond what most of us imagine, and, on the other hand, that most of our respected merchants are practically free from these grosser practices. But the small consumer is between the devil and the deep sea. If he seeks for lower prices he gets adulterated, or debased, or diluted articles. If he seeks cleanliness and high quality, he pays excessive prices. He can get things as clean or pure as he wants, but he must usually pay more for them than they are actually worth. On the other hand, he can get things about as cheaply as he desires, but if he pays little the article will be of small value. It is very difficult for him to get what is at once right in quality and fair in price.

A further training in citizenship is the responsibility that co-operation brings to many of its members. Every co-

operator has a voice at the meetings of his society. The direction of affairs is delegated to boards of directors and committees and officers elected by and from the members. Twenty thousand men of the working classes in Great Britain are serving on such committees and acquiring administrative and business training. The great Co-operative Wholesale Societies, with their annual trade of three hundred million dollars are managed entirely by working-men.¹

The administrative and business training co-operation gives to thousands

The equality of the sexes has from the first been fundamental in co-operation. The Rochdale pioneers admitted women to full membership. They can serve equally in all the elective offices. "Moreover," says Beatrice Potter,² "forty years previous to the Married Women's Property Act, store managers, sublimely indifferent to the terrors of the County Court, habitually refused to consider the husband as the owner of the wife's savings. Co-operation enables the wife and mother to play her part and make her influence count in the struggle for better conditions in the very sphere which she understands best and where she can render the most effective service.

Co-operation has always dealt with women as the equals of men

Co-operation is rapidly becoming one of the great in-

¹ "Exactly, the same qualities of public-spirited energy, capacity for compromise, dogged persistence and self-subordination, together with shrewd intelligence in choice of officials, watchfulness and generosity towards servants—precisely the same intellectual and moral gifts are needed in the members of the successful store as in the citizens of a well ordered and enterprising municipality."—Beatrice Potter: *Co-operative Movement*, 189.

"Let me repeat it, co-operation is a political training school quite as much as it is a training school in more decent business methods."—John Graham Brooks: *Next Steps in Political Reform*.

One English society has an estate on which are three streets, all the residents of which are members. At a municipal election it was found that every voter except two on all these streets had voted—a record unknown in other parts of the town.

² *The Co-operative Movement*—Great Britain, page 72.

ternational forces. Almost alone it has retained its international spirit during the great world war. When the Germans invaded France they spared co-operative stores and addressed French co-operators as "brothers." The great English co-operative organization has begun laying plans in the midst of the war to assist the embattled co-operators of Austria-Hungary as soon as the conflict ceases. At recent meetings of co-operative alliances of the allied countries in Paris and of the central powers in Berlin, vacant chairs were placed for the absent co-operators of the enemy countries.

Success in co-operative supply is based upon a fraternal spirit which seeks to bring about justice and fellowship and the elimination of antagonism including the warfare of competition, and the promotion of brotherly love. Moreover, it comes with a valid voucher for this spirit and these aims, since without them it cannot survive.

The effect upon the outlook and character of those who become ardent co-operators is marked. One has a new vision of life who sees it co-operatively. The success of one means then the success of all.

No one profits by another's loss. It brings the social outlook and the social vision and stimulates the desire to work for others. The forces of co-operation have proved to be recruiting stations for the armies of social service. It teaches the need of fellowship and of unity, and the necessary individual restraints without which there can be no unity, such as self-control and toleration, courtesy and trust, self-respect and mutual respect. It shows the need of prudence and forethought and it makes dependent men independent and reliant. It gives the habit of self-direction by imposing responsibilities and teaches self-government. And, what is not unimportant to-day, it teaches people to do things for themselves without looking to the city or the state. It gives us individuals trained to see their duties to themselves and to their fellows and shifts the emphasis from the selfish to the altruistic, from the materialistic to the finer things of the spirit.

The uniqueness and the promise of distributive co-operation lies in the fact that it seizes on the value of the neglected factor in economic organization—the consumer. There are many capitalists, countless laborers, vast armies of producers, agricultural and industrial, but not one of these groups includes everybody. But every human being is a consumer. Our various social systems organize society in the interest of one or the other of these groups and will succeed or fail in the measure in which they serve all; and not one of them all, save distributive co-operation, even assumes to include every member of society. Our present system of capitalism organizes the capitalists in mighty combinations and administers society with capital as its central feature. Labor unionism organizes the laborers and has unfortunately permitted itself to represent only a part of labor, the aristocracy of labor, the skilled, and only in part the unskilled laborers, the white but not black laborers. It is being demonstrated again and again that what labor, organized as producers, gain in their great conflict with capital they lose in great part through being unorganized as consumers. The great coal strike was won by labor as producers. But the price of coal was immediately raised to make up for the higher wages. As coal enters into the production of practically everything, manufacturers in every line were forced to raise their prices. The coal miners lost as consumers, by higher prices, much that they had gained as producers by higher wages. The Lawrence strike won a ten to fifteen per cent raise in wages. The price of cotton goods rose fifteen to twenty per cent. This came out of consumers, and labor tends to lose as consumers no small part of what they gain as producers. Labor unionism protects only the dollar the working man earns. He must learn to protect the dollar he spends and that means consumers' co-operation.

Various plans for preventing the centralization of wealth which appear to have an increasing appeal, such as inheritance taxes, graduated income taxes, and profit-sharing, even stock-sharing, are but modifications of capitalism

and leave the capitalist, with slightly abbreviated powers; the captain of industry. That the present capitalistic order which is responsible for the awful inequalities of life cannot continue to satisfy an awakening world is the conviction of most students of the social problem.

Taxes on wealth and profit-sharing only modified capitalism

The great programs of socialism, syndicalism, and the single tax can probably be rightly characterized as re-organizations of society about men as producers, the first two emphasizing the common ownership of the tools and machines of industry and the last the common ownership of the original source of all products, the land. These systems promise that automatically the consumer as a member of a society reorganized in justice will receive full equity. There is no thought here of discussing the validity of those claims save to point out that they found their new commonwealths upon the producer and the producer represents but a part of society, or upon the citizen, and the citizen a political factor which may or may not function aright. One thing should be pointed out, and that is that almost all that socialism aims to accomplish by coercive and involuntary collectivism, co-operation can probably assure by voluntary collectivism.

Consumers' co-operation declines to recognize the supremacy of the capitalist, sees a more promising figure than the producer, and builds its system upon the consumer. It is therefore a drama of Everyman and not of any class. As things stand now the *producers* are powerfully organized,—the capitalists in great corporations which tend rapidly towards monopolies, and the laborers into unions powerful enough to make our government plead for a truce, and the farmers less effectively but with increasing power. Combination and organization dominate this field. The field of *distribution* is being rapidly organized in every direction by great combinations of capital. The chain stores and the mail order houses are likely in time to make the merchant with

Helplessness of the unorganized consumer

one store as obsolete as the stage coach. The old line retailer is doomed. The one field that, here in America, is still unorganized is that of the *consumers*. The unorganized consumer is as well qualified to treat with the organized forces of production and distribution as a Belgian peasant is to deal with the German army. He has no friend at court. He is as helpless and unprotected as a fledgling bird in a feline world. The producer awakened first to the absolute necessity of combination in the modern world. The distributor is awakening. The consumer too must read the old warning "Unite or die." United the consumers are the mightiest power of them all. Unorganized, they are travelling the road to Jericho, and the only one of the old personalities missing on that road to-day is the Good Samaritan.

Co-operation has made experiments along both lines of organization and we have both producers' co-operation and consumers' co-operation, and their reconciliation lies in the future. The one has organized labor first and sought the consumer afterwards, but consumers' co-operation succeeds by organizing and rewarding the consumer and afterwards employing labor in production. It hires labor and it hires capital and the reconciliation of capital and labor lies in their common service to the great commonwealth of consumers.

It necessitates no revolution. It disturbs no authority of proprietorship, confiscates no man's property, and equalizes the future without spoliation. The strained relations of capital and labor are almost automatically adjusted. It changes the attitude of the workingman towards capital. Where once he regarded it as an instrument of oppression, he comes to see it as an agent of progress. "Co-operators are not haters of capital. They are creators of capital. It may be a good thing, and often has been, when capital hires labor; it is better when labor hires capital; pays it according to its risk; pays it fairly, pays

Consumers'
co-operation
and pro-
ducers' co-
operation

No social rev-
olution nor vi-
olence needed
to adopt co-
operation

it even generously, but pays it only once—taking care that it does not come back a second time filching the dividend of labor, and filling the heart of industry with suspicion and despair.”¹ It is a steady influence for social peace, against strikes and low wages, and long hours. It unites capital and labor. It unifies the interests of the dealer and the consumer. It makes one the toilers and the intellectuals. The ways before us are our present bankrupt individualism, voluntary collectivism and involuntary collectivism or competition, co-operation and socialism. We can pass into a new order without destruction and conflict if we choose the fork of the road that leads to voluntary association and co-operation.²

Co-operation is the next step in the world sweep of democracy. We cannot long continue to be satisfied to exalt democracy in the political realm and ignore it in the industrial world. Capitalism means autocracy prevails in industry. Here and there it is a benevolent despotism, but the rank and file have no voice. Some of the suggested remedies but carry us from absolutism to limited monarchies, or at best to oligarchies, plutocracies and aristocracies. The many would still be in the hands of the few. Co-operation

¹ *Co-operation*, June, 1914, page 172.

² “Co-operation supplements political economy by organizing the distribution of wealth. It touches no man's fortune; it seeks no plunder; it causes no disturbance in society; it gives no trouble to statesmen; it enters into no secret associations; it contemplates no violence; it subverts no order; it envies no dignity; it asks no favors; it keeps no terms with the idle and it will break no faith with the industrious; it means self-help, self-dependence, and such shares of the common competence as labor shall earn or thought can win, and this it intends to have.”—G. J. Holyoake.

“If co-operation is successful, it will work a beneficial social and economic revolution of the widest scope—a revolution, moreover, so conducted as to leave no heritage of bitterness behind.”—Bishop Lightfoot.

“I have no hesitation in saying that I believe the life of both industrial peace and industrial efficiency lies in the successful application of co-operative principles to business enterprise.”—Earl Grey.

means business and industry, trade and commerce of the people by the people and for the people. It is the most democratic thing in the world—thoroughly and truly democratic—and one hundred thousand co-operative societies have proved democracy possible in the economic field.¹

(This new aspirant for the economic throne comes to us tried and tested by three-quarters of a century of wide and varied experience in differing conditions, in **Summary** many lands. Its claims are substantiated by the facts of its history. It offers to human society a transmutation of its economic motives and methods from the sordid and selfish and sharp and combative to the uplifting, the serviceable, the frank and the mutual.²)

To the *consumer* it gives a freedom from solicitation and over-persuasion, from debasement and adulteration of goods, from distrust and constant defence. It encourages his thrift and adds materially to his purchasing power, enabling him through that increase of power to improve his opportunities and his standards of living, and also making him potent to improve conditions in the economic world and contribute to the well-being of others. It lifts him above the necessity for complete engrossment in material things. To the *producer* it assures fairer prices for his goods and buyers with larger purchasing power. For the *store workers* it raises the moral standards of their trade and makes it a public service freed from the temptations in-

¹ "Democracy means co-operation. It means people trusting themselves, believing in themselves, organizing for their own benefit, getting for *themselves* all the profit of concentration and efficiency.

"It means for every man to have a share in the capitalization of his country and the profits of its business, as well as for him to have a vote in its government."—Dr. Frank Crane.

² "It is the unique, and I say advisedly, the glorious achievement of the democratic form of co-operation, that through extinguishing profit as well as eliminating the profit maker, it destroys the occasion—it roots up and extirpates the very foundations—of the art of wealth-gaining apart from rendering services to the community." —Beatrice Potter: *The Co-operative Movement in Great Britain*, page 206.

cident to private gain. *Society* as a whole gains by having its wealth decentralized, by the utilization of what now goes to waste in glutted markets, by the elimination of needlessly multiplied stores, the liberation of their owners and employees for much-needed production, and by the training in citizenship and business responsibility of thousands who under our present competitive individualistic system are never trained or used to serve in the broader fields. Woman is accorded a full equality and can use her special knowledge and experience to greatest advantage. The trust is effectively curbed. International good will is promoted and international ties increased. By taking the consumer as the center of its organization it includes every living soul. The great and needed readjustments in society are brought about peacefully. Democracy moves on in co-operation to the next stage of its world conquest. Profit yields to service, division to fraternity, strife to concord and, best of all, under this beneficent order we work not for our fellowmen but with them.

PART III
PRACTICAL CO-OPERATION

CHAPTER XI

AWAKENING THE CONSUMER

"The greatest thing a human soul ever does in this world is to see some thing and tell what it saw in a plain way."—RUSKIN.

"Co-operation is the new thought. It requires that the ideal shall be dominated by interest in common welfare. This heaven is working throughout the whole land to-day. The time is not so far away when it will hold a big place as a work-a-day thought in the mind of every man."—RAY P. BRUBAKER.

"Co-operation is essentially a democratic movement and its ultimate success depends upon the membership as a whole—their knowledge of its principles, their devotion to its cause. Apathy is the greatest foe to success."—CATHERINE WEBB: "*Industrial Co-operation.*"

In Part I of this book was pointed out what seemed to the writer to be the shortcomings and evils of the present distributive system. In Part II it is claimed that the remedy could be found through the Rochdale organization of consumers. Some of the far-reaching advantages of co-operation among consumers were indicated. We now discuss some of the methods and conditions of the successful working together of groups and the details of store operation.

Earl Barnes says that one of the greatest needs of our time is social inventions. Perhaps as great a need, however, is to get a good thing introduced after it is invented. A superior machine, one showing larger output and lower cost of operation, can be introduced without much trouble, for it can be quickly and definitely tested. Not so with social inventions in a democracy.

That consumers can derive very important advantages from co-operative buying, can secure far better real service

at materially less cost and, at the same time, as by-products of the system, exert very beneficent ethical, social and economic influences, has been so absolutely proven by experience that there need remain no doubt in the mind of anyone who will inquire. "The co-operative plan," says Theodore Roosevelt, "is the best plan of organization wherever men have the right spirit to carry it out. . . . It develops individual responsibility and has a moral as well as a financial value over any other plan."

But it has been equally proven that successful co-operative buying depends ultimately upon the consumer. If intelligent co-operation is the chief hope of the consumer—the intelligent consumer is the only hope of co-operation. There is no magic about co-operation. It will not perform the impossible. You cannot get and test results by going out to-day and buying it and installing it to-morrow as you would a new machine. Nor can it be handed down or out by employers or others. Nor even can it be brought about by devoted directors or management. Co-operation rests with consumers. Co-operating is acting together, and to do any particular thing co-operatively, enough people must act together to do the thing in hand. The conditions of success are simply deciding what to do and then all standing by until it is done. If only half stand by, the thing will wholly fail. There are hundreds of reasons given for the failure of co-operative stores, but they practically all simmer down to a lack of intelligent perseverance. Of the many doors to disaster, disloyalty is the key which unlocks them all.

This being true, the great question, the question bigger than all the rest, is how to get the people to see and understand the failure of the present distributive system, to appreciate what can be done co-operatively, and to know the simple but exacting conditions of successful collective action.

So education is at the bottom of the whole business. Not until consumers adequately grasp and appreciate the ad-

Stability of
the co-oper-
ative idea

Success de-
pends ulti-
mately on the
consumers

Importance
of educa-
tional work

vantages of co-operation will they go into it whole-heartedly and to stay.

In the first place, co-operation is a doctrine and a real co-operative society is composed of believers in that doctrine. To be a co-operator one must have espoused the belief that the co-operative principle and plan is calculated to bring about such advantages, tangible and intangible, to the individual and society, that it should be organized and developed. His conviction must be so strong and his faith in the outcome so abiding that he is willing to commit himself seriously to the program. It has usually been assumed, in organizing a store company, that whoever would, on the spur of the moment, buy a share of stock, could be counted upon. The result has been a group which was a rope of sand, an unstable society unprepared to meet the obstacles which arise in most important undertakings. A man or woman who has grasped the full significance of co-operative buying will come to have a new belief and a new and different way of thinking, a different order of life. Buying will have a different meaning. The leaven and the salt of a society must be of this kind of co-operators. Of course not all will take it so seriously, the many usually leave the initiative to the few. But this kind of sentiment needs to saturate a society through and through.

The great mistake that has been made in starting American co-operative stores has been in assuming that once started a store would so strikingly demonstrate the advantages of the system as to hold all charter members and rapidly attract new followers. This rarely if ever happens. So seldom does it occur that it is never wise to start with a group not prepared to meet obstacles. In the first place, so radical a change as is involved in the conduct of a store by consumers, introduces new problems and requires adjustments which do not make for immediate dividends. It is easy to waste in co-operative mistakes all that is saved by cutting out the wastes and profit of the independent dealer.

No flashy immediate returns

These mistakes can only be avoided through education of the membership, the directors and the management, and this takes time.

Then, if small advantages are shown at the start, they are not conspicuous enough to satisfy those with large expectations nor those with small grievances. The gains from co-operation do not mainly come from absorbing what would go to merchants in net profits, but by working out other economies which co-operative management make possible.

The Rochdale pioneers saw the need of education along co-operative lines and at the very outset provided a fund British belief in the importance of education to carry it on. In England this has always been considered one of the necessary prerequisites of success. Not nearer, as cause and effect, are "the little red schoolhouse" and American democracy, than are education and successful co-operation in this country as well.

There is no short road to any large achievement. A co-operative store may be started in such a way and under such conditions that it gives gratifying results to members at the outset. But that does not necessarily prove anything except that that group happened to be fortunate at the moment. On the other hand, a store may be started which shows losses at the outset and perhaps continued losses. Neither does that necessarily prove anything about the co-operative plan.

Since co-operation is working together and successful co-operation is successful working together, a co-operative store which is successful is one in which the members and the store workers pull together so perfectly that the results are the best that can be had under the circumstances; circumstances being beyond control of the group. This kind of work cannot be had without vision, social-mindedness, fraternal spirit and persevering loyalty. The nature of co-operation seems to be such that its ideal advantages must first be sought, when its pecuniary advantages will come as an incident,

Ideal advantages to be sought first

or, in the language of Francis G. Peabody, "A final condition of success in co-operation is even more fundamental. It is a supply of what the advocates of the movement call 'co-operative men.' The scheme depends not merely on economic thrift but on integrity, fidelity and disinterestedness. . . . Co-operation presupposes common sense, forbearance and co-operative spirit. . . . Without them it fails as business and with them its successes are something more than business successes."

So dependent is the success of a store society upon the attitude of the members toward the co-operative idea that the work of the educational committee becomes very important. Too much care cannot be exercised in the selection of members of the committee. While it is well to have one or more members also on the board of directors so that the work of the committee may be well known to the board, the best people for the work should be enlisted.

The educational committee

Education and propaganda work should not be treated as a luxury, but as necessary to success. Ample funds should be devoted to it.

There are two kinds of publicity work which are essential to the proper conduct of a co-operative store. Co-operative advertising of goods and the store as an efficient distributing agency will generally be looked after by the store management. The business of the educational committee is to make converts to the co-operative idea, to confirm and more fully establish present believers, and to renew and strengthen the faith of those who may become lukewarm.

The practical necessity for educational work lies in the fact that the real believer in co-operation and in the store is an important asset to the business by reason of his trade and his influence.

Practical necessity of propaganda

The profit dealer must more or less advertise and praise each article he sells, and this is expensive. When a consumer once reaches the conviction that co-operative buying is the true and wise way to economy, when the

store has been "sold" to the consumer, the necessity for this expensive pushing of separate articles is avoided.

The committee should make a definite program to cover a month, three months or a year, deciding upon the line of argument and the media. Certain ideas **A definite program desirable** ought to be stressed in certain ways. This plan should include talks to employees, or classes to cover certain ground, lectures or home talks at fixed intervals, and the distribution of certain tracts.¹ In many cases social or entertainment meetings should be held. Printing should be done according to fixed plans, and word of mouth work systematized. This program should be faithfully carried out; it is dangerous to allow the work to drift.

The fundamental planks should be kept constantly to the front. The present system of merchandizing is radically wrong; co-operation is the thoroughgoing remedy, but co-operation can only be worked out by enthusiastic, intelligent and persevering endeavor on the part of the whole group.

The great advantages of well established co-operation richly justify the effort, bringing help not only to those who participate in the work but putting the benefits within reach of others who may greatly need them, and bringing well-being to all who touch the undertaking.

The educational committee has to do with the ideal aims of co-operation. One of its hardest handicaps will be the fact that the store fails in many ways to exemplify co-operative principles. About this there are two things to do: first, to bring the store in line so far as possible; and, second, to urge that the store is earnestly working toward these ideals. It should be the privilege of all as it is the duty of all to help reach the goal. Too much prominence cannot be given to the fact that co-operative results are

¹ These can be obtained from the Co-operative League of America, 2 West 13th St., New York City, or from the Co-operative Union of Manchester, England.

an achievement of great importance and cannot be had at once by short cuts.

There are many things to learn about various phases of co-operation, but the most important of all is cultivation of the right spirit. It is not easy in practice for the member, long accustomed to the old system, to learn to habitually think and feel co-operatively. ^{Learning to "think co-operatively"} The store "of the people, by the people and for the people" in which the sentiment is "each for all, and all for each" is a new thing. It is new to buy through an agency which practically guarantees quality and cost. For the consumer to know that a store is run solely in his interest, and is supervised by his chosen representative is new. To help adjust the mind of members to these new conditions is an important part of the task of education.

But it will be good news to many socially-minded people to learn that through buying, which has hitherto been regarded as an act of no social significance, ^{Co-operative buying is automatic social welfare} one can make a positive contribution toward the general welfare. Buying co-operatively is helping to build an institution beneficial to all concerned, and looking toward healthy social reconstruction, and this done at no sacrifice but with net pecuniary saving to the contributor. He helps others by helping himself. This privilege of putting new meaning into a hitherto depressing department of life will, when it is understood, be appreciated by thousands. To promote this attitude toward co-operation the fact should be kept prominent that there is no commercial or self-seeking motive about a co-operative store. The aim of a group of co-operators is to serve themselves and thereby create an agency whose privileges are open alike to all, and whose influence for justice, equity, mutuality and integrity will touch and benefit all who come in contact with it. The consumer who has an intelligent grasp and therefore an enduring friendship for co-operation will not find loyalty to the enterprise difficult, for he will see through the apparent or

temporary attractions offered by profit stores. His enlistment for co-operation will be based not upon any superficial grounds, but upon the fundamental defects of profit merchandizing and the efficiency, equity and beneficence of the developed co-operative system. His loyalty to the co-operative principles and movement will be like loyalty to his friends, or to his conscience. Co-operative stores are made by people who have a real sense of responsibility and are not in the habit of chasing privileges for which they assume no corresponding sense of obligation.

He realizes the defects of the profit system and sees that these defects are fundamental and inherent and not merely abuses of a system naturally good. It is not enough for him to be dissatisfied with the dealers in his community. Co-operation has no quarrel with the individual dealer; its war is with the system behind the dealer, a system which is inherently unfitted to serve the best interests of the consumer and society.

He sees that the co-operative plan is based upon sound principles and is definite and dependable; that properly carried out, co-operation can be relied upon to bring the desired results.

Another thing he realizes is, as we have said, that co-operation has no magic power to bring spectacular results overnight, but that it must be carefully and thoroughly applied in the right way and under proper conditions. Co-operative buying has definite ends in view, ends of great value, but these can be attained only by applying both co-operative principles and business principles. Democratic distribution is a great undertaking and its rich and far-reaching fruits are well worth working for. It often takes time and perseverance to get results.

When a person clearly sees these three things, he will so have glimpsed the important and far-reaching advantages of the new system as to deem it a privilege to participate in bringing them about. In view of the large ends in prospect he will regard as trifling any temporary imperfec-

tions of operation. Indeed, he will see in these very shortcomings opportunity for his helpfulness in making constructive and kindly suggestions. He will, however, have his trials, one of the hardest of which will be to remain an enthusiastic friend of the cause when he is in the minority and is confident that he is right. Herein co-operation affords splendid training in democracy. It is easy and natural when one is voted down to quit or sulk. But such a course is cheap and small. Co-operation is organized friendship.

Loyalty to the majority's will a stern proof of democracy

Another reason for educating members is to give them such an insight into the beneficent results and influences as to give the individual members real satisfaction in participating in the development of the plan.

It is desirable to keep members as intimately in touch as possible with what the store is doing. A co-operative store has no secrets from its members. In fact, one of the first conditions of success in co-operation is mutual kindly frankness. Members should be told all about what the store is doing before they ask. Members should be told how they can serve the store, and thus serve themselves. If useless things are done and expense incurred in private stores, these can be successfully eliminated in the co-operative only with the intelligent co-operation of the membership. For instance, the store with which I was connected found one fall that the trade was so congested on Saturdays as to cause hardship to the help, and make satisfactory service difficult. A circular sent to members by the secretary telling the difficulty and asking that more orders be placed Friday brought immediate response so that the trade was fairly evenly distributed between Friday and Saturday. This is real co-operation—the frictionless working together of management and members. The more perfect this relation becomes, the more fully does each member become an influential missionary to attract others into the movement.

Frankness and helpfulness

There is a wide and growing impulse toward doing for

others while doing for oneself. This, not from pure altruism, but from a sense of the solidarity of human interests, the feeling that the only way one can really help himself is by helping his neighbor. This "enlightened selfishness" which is far better than altruism, is soaked with a passion for justice, equity and the general welfare. It is very easy to make co-operators of men and women moved by such impulses. In such soil the roots of co-operation, economic, social and ethical, will go deep and will thrive and endure. Narrow selfishness seeks a bargain regardless of whether anyone else is helped or hurt by the transaction. Social-mindedness seeks a saving ever so small, provided the transaction helps to put the same saving within the reach of the many. Enlightened selfishness finds its greatest satisfaction in those benefits which can be brought about for others at the same time. Whatever promotes such a spirit indirectly promotes co-operation.

CHAPTER XII

ENLISTING AND DEVELOPING STORE WORKERS

In the preceding chapter attention is called to the necessity of attaching, as it were, the pull of an interested membership to make a co-operative store go. The "push" of an efficient manager and store staff are not less necessary.

As the owner's quest of profit is the life of the private store, when this is removed the co-operative motive and spirit in membership, management and store workers must be substituted or the store will die. A co-operative store should not be a negative, but a positive and active thing. The securing of the right kind of store workers is therefore a matter of prime necessity.

Can the right kind of people be attracted by such incentives as the co-operative can hold out? It is often asked whether, in competition with the private store which offers its brighter employees various ways to share in profits, the co-operative can, with no pecuniary compensations except fair salary, attract competent people.

Can co-operation attract the right sort of workers?

In the first place, it is undoubtedly true that the co-operative store, fully alive to its mission, is not strictly in competition with the profit store. While the co-operative store worker uses the same tools and goes through much of the same routine as the private store worker, his aim and spirit are wholly different. The operation of a co-operative store is a public trust calling for wholly unselfish service. The co-operative worker is untouched by the pursuit of concealed profits, but is commissioned to serve his constituents. Work for the co-operative is a vocation peculiar to itself, partaking more of the professional character, and besides

it can offer fair salary

paying a fair salary, can offer other values which are likely to be appreciated by the character of people needed. If the pursuit of wealth be the sole aim of a man or woman the co-operative cannot hold out the required attractions. But, as Dr. F. G. Peabody says, "A completely self-seeking man cannot be a good co-operator." And it takes co-operators to run a co-operative store successfully.

More and more young people seek through vocations these other non-pecuniary values. "For many of us," says Dr. Cabot, "for more every time the world takes a step in the right direction, work that is service taps the great reservoir of power, sets free some of our caged and leashed energy."¹ Or, to quote Justice Brandeis, "Real success in business is to be found in achievements comparable rather with those of the author or the scientist, of the inventor or the statesman. And the joys sought in the profession of business must be like their joys and not the mere vulgar satisfaction which is experienced in the acquisition of money, in the exercise of power or in the frivolous pleasure of mere winning."²

As red-blooded men turn from the futility of mere money-making and fail to find satisfaction in the depressing work of charity, they may discover in a great work of constructive justice, like consumer's co-operative operation, full scope for their powers of mind and heart. "Nothing," says John Cairns, manager of a Scotch Co-operative Society, "purifies the mind like a

¹ Richard C. Cabot: *What Men Live By*.

² "Business," he goes on to say, "will be, and to some extent already is, one of the professions." The distinguishing marks of a profession he takes to be these:

First, "A profession is an occupation for which the necessary preliminary training is intellectual in character, involving knowledge and to some extent learning, as distinguished from mere skill."

Second, "It is an occupation which is pursued largely for others and not merely for one's self."

Third, "It is an occupation in which the amount of financial return is not the accepted measure of success."

great ethical idea, around which all others organize themselves, and that contained in the nature of our occupation is supremely qualified to be the guide, the inspiration and ideal of a man's industrial life." Here is a field in which the worker cannot only get a living, but through which he may *live* while he works.

One of the big jobs for the builders of co-operation in America is the enlisting and training of young men and women of a high order for this work. Such enlistment will be a boon to both workers and cause. Professor Marshall, the leading economist of England, is quoted as saying at the Ipswich Co-operative Congress, "In the world's history there has been one waste-product so much more important than all the others that it has a right to be called *the* waste product. It is the higher ability of the working classes, the latent and undeveloped, the choked up and wasted faculties for higher work that for lack of opportunity have come to nothing." Reference is here made more particularly to the latent ability to manage, which the co-operative system affords the opportunity to develop. But is it not true that there is an equal waste through lack of opportunity to express good will, social-mindedness and unselfish helpfulness? Let the store work be laid out and conceived of as a job requiring high grade ability and character, and there is little doubt that the challenge will be met. Clear-headed, red-blooded, upward-looking young men and women will gravitate toward the movement, and in time come to represent it.

Probably the best way in the long run to obtain store workers is to take good, bright boys and girls from school and train them. A candidate with such knowl-
 edge of store work and goods as he may have
 gained through experience in a profit store
 may be desirable as a make-shift, but as a rule
 he has the wrong point of view and too much to unlearn to
 make him good co-operative material.

Workers
 should begin
 young and re-
 ceive careful
 training

The subject of compensation of help is a large one. Perhaps the first thing to be said is that low-grade help is dear

at any price. On the other hand, the help which is made high priced by things done in a profit store—because he is a good **Compensation** “salesman”—may be a bad investment in a co-operative store. It is desirable to pay high salaries—somewhat higher than the average store pays—but the salary should be fully justified by actual service performed. Nor can a co-operative store afford to pay a high salary to an employee on the ground that he needs it to live on. The true policy is to get people of good capacity and so organize the work, and train and inspire the employee as to get good results, and then pay good salary. The aim is to pay according to service performed. While there may be no accurate and tangible measure of product, as near an approach as possible should be made. It is desirable to make advances in salary as soon as the work justifies doing so, and much better to make such advances before employees have good reason to ask for them.

Some English stores have a co-operative plan whereby each employee receives a dividend or bonus on his salary equal to the dividend returned to members on **Bonus system in some English stores** purchases. Thus an employee receiving \$500 per year salary would receive a bonus of \$50 if a ten per cent dividend were paid on purchases of members during the year. There is some approach to justice in such a plan, and some co-operators, notably Mr. G. J. Holyoake, strongly approve it. There would seem to be some justice in recognizing the claim of the help as a whole to share in the prosperity of the store. But the basis is apparently crude and leaves much to be desired. For instance, the employee who does his best for the success of the business receives no special recognition for his faithfulness, as he gets only the same rate of bonus as the most indifferent employee. The plan does not seem to have inspired employers very much and has not on the whole worked very well. It is in use only in a small minority of the stores. It would be very desirable, however, if some plan could be worked out which would encourage devotion and efficiency on the part of employees and could also commend itself as meeting the de-

mands of justice. Here again is a need for invention and study, an endeavor which should enlist the interest of employers and employees together. The need is to get at some basis of compensating men and women for the work they really do instead of paying them for the time they spend. We want, however, to avoid the evils of piece work which grow out of the inability accurately to gauge the work done by any individual employee.

No part of the organization and conduct of a co-operative store is more important than the proper training and management of store workers. It is they who do the work and they who come in constant intimate contact with the consumer public. The work is complicated and may be done in many wrong ways, but in only one best way. To find and follow that one best way is, of course, the key to success. There are two groups of subjects for the employee to study: one dealing with co-operation, store methods and goods,—subjects on which all store workers should be informed, and the other the more technical subjects belonging to certain positions: bookkeeping, co-operative salesmanship, co-operative advertising, delivery, stock keeping, and the like.

Every employee of the store from top to bottom should know something of the principles of co-operation, each according to his mental capacity; each should grasp its spirit and motive; each should know the why and the how of the co-operative store. The more each knows about co-operation the more heartily will he take hold of the work, the more personal satisfaction will he get out of it, and the more valuable will his service be to the store. Not more is the selling instinct valued in a profit store than should be the co-operative instinct in a consumer-owned store. The co-operative training of help will probably include first the reading of the most simple tracts and later the more advanced works. This should be supplemented by class work. The whole will usually be under the care of the educational committee of the store and should in no wise be neglected.

Training
workers

Subjects for
study

Training in
co-operative
principles

For an employee thoroughly to learn store routine and methods is to learn the technic of a valuable trade provided he learns the right way of doing things and not merely a way. Not enough emphasis has been placed upon this fact in this country. Efficiency methods are now due in this line of work and it is to be made a serious profession. Books ¹ are now appearing at short intervals which take the subject seriously and we are undoubtedly soon to see the same attention given to the economical and efficient conduct of a store that has for some time been given to the systematizing of shops and factories. But the ground is still new and the live manager and committee will be compelled to work out their own courses to quite an extent. How to put up orders, how to take in cash, how to find costs in such detail as to be of the most use, how to keep stock, how to deliver, are some of the smaller questions involved, besides the two larger ones of buying goods and selling. There is no room in this chapter to enlarge upon the subject-matter to be used in this connection. Probably the most profitable text-book will be the daily operation of such plans as have been evolved for the individual store in which the work is to be done.

In making use of current books on store practice, allowance will have to be made for the wrong point of view, as to pushing goods on to the consumer, a thing which looms large in books on salesmanship, but for which the co-operative store has no use. I cannot too strongly urge careful training in store methods and strict compliance with best ways. Besides the advantage of getting things done with the least effort and time consumers like to see things done well. I have known people to stop trading at a store because packages were not put up satisfactorily.

As to knowing goods, there is special reason why the co-operative store salesman and other workers should be well

¹ Among recent works are: *The Economics of Retailing*, by P. H. Neystrom, Ph. D. (Ronald Press, N. Y.), *Retail Selling and Store Methods* by same author (Appleton's), *Keeping up with Rising Costs*, Sammons (N. W. Shaw, Chicago), *Retail Buying*.

informed. Consumers have a right to assume that they can get perfectly unbiassed information which is reliable. Without the profit bias the co-operative salesman has the privilege and the duty to impart useful information to the consumer and give valuable advice. These should be based upon a thorough knowledge of the facts. Consumers are ready for this kind of service when it comes from the right source and is given in the right spirit. The co-operative employee, therefore, should not be an automaton, a slot machine, only handing out advertised brands previously selected by the customer. He can render much more valuable service and should be fitted to do so. He will come to take keen satisfaction and pride in his work and have a consciousness of real usefulness to those most in need of guidance. In a food store this is especially true.

Probably the instruction in store methods and goods will be under the guidance of the manager. This, however, may depend upon circumstances. A professional teacher of these things may be available, or part of the work may, as we have seen, be taken up by the educational committee. Public schools in some localities are taking up store work in connection with vocational training, but it will probably be some time before such instruction will be generally available. Probably the best plan will be the formation of classes under the instruction of the manager.

Much more attention is given to the thorough training of store workers in England than in this country, especially in the food trade. The Institute of Certified Grocers, whose certificate is worth striving for, requires of its candidates three years of practical work in a store and the passage of rigid examinations, the first and second years of which embrace some forty-eight searching questions on groceries, book-keeping, commercial arithmetic, English, law, methods of business, blending teas and coffees, and so on. English co-operative stores have many classes, conduct summer schools, and are discussing a co-operative college.

Training under the direction of manager and educational committee

Careful training of store workers in England

Two things should be especially looked to. The student should not be given nor should he undertake voluminous, **Staff meetings and their use** forbidding, or irrelevant matter so as to get off the track and become discouraged. He should be kept at his study by proper encouragement. He should attend frequent staff conferences where all sorts of store experience and questions may be discussed. Here an excellent opportunity is afforded to encourage employees to make suggestions for the benefit of the business. Employees should be urged to make a note of unanswered questions asked by customers, or unusual opportunities offered to give information. These may be discussed in staff meetings with profit. When answers are not forthcoming, let the question be referred to someone for report at the next meeting. Good reference books and trade papers should be accessible to all the employees. In some cases it will be well to have a set subject for discussion with, perhaps, an informal paper given. It is interesting to discuss amount of sales for a given week, expenses, comparisons of current business with that of the preceding quarter or the corresponding quarter of last year, together with comments and suggestions arising therefrom. Entire freedom and frankness are possible in a store where there are no secrets.

It has been proven over and over, of late, that the only way to get the maximum of product from help is to touch the right springs. The best staff cannot be driven to give good results: it must be inspired. The manager who treats workers as machines is a failure so far as the handling of help is concerned. Especially is this true in a store where there is so much need for the use of brains. The ideal **As elsewhere, real interest in the work is the most productive motive** manager should be a center of enthusiasm so contagious, kindly, and inspiring, that the staff cannot remain untouched. There is no substitute for real interest in the work as a means of getting results. That interest can only come when the employee is given a chance to use his brain and initiative. Information as to objects and methods is imperative to

get best results. It is this which gives the manager his zest and the same is needed by his assistants.

The Manager

The manager having full charge of a co-operative store, occupies a position of large responsibility with corresponding privileges for usefulness. He is to interpret the wants and needs of consumers. He must know goods and their sources, bring back to consumers the best intelligence regarding commodities and finally, he must pass the goods from their source to the consumer in the most efficient manner.

His study of the requirements of consumers will consist not only of an inquiry into what they do buy, but also, what they *would* buy after adequate investigation. That is, he should learn the real needs of consumer-members in order to meet them as completely as possible to the end that a dollar may buy the maximum of value. His investigation of goods and sources will include not the passive acceptance of the products offered, but a thorough search as to real merits of commodities, their sources and cost.

These things, with the organization and administration of the processes which pass the intelligence about the goods, and the goods themselves, to the consumer, the inspiring and guiding of help, such accounting as will enable him to eliminate any wasted effort and bring about the greatest efficiency is not a small undertaking. And all this is to be motivated and executed along Rochdale lines.

Here is large scope for the exercise of invention and initiative. But there goes with these ideal qualities a constant hindrance in the shape of insistent demands on time and attention of exacting and absorbing detail work. Here is a job for a full-sized man—a larger one than usually finds his way to the corresponding position in the profit store. Fortunate indeed are the directors and officers who find the man upon whom they are justified in throwing all these responsibilities, confident that he will catch and carry the spirit of the organization to the public and evolve

the effective instrument needed to carry out the common purposes.

At all events, boards will generally find it best to place upon the manager the full authority, that he may be held responsible for results. Happy will be the day when co-operative store practice is so standardized as to make such a conferring of power less a leap in the dark than is now the case.

But standardized co-operative methods, like trained co-operative store managers, comes under the head of work yet to be done in this country. The pressing need for this development, however, is matched by the large room for improvement.

CHAPTER XIII

WHEN AND WHERE TO START

The next practical question to take up is where and when it is wise to undertake the starting of a co-operative enterprise, for, in its present state of development in this country co-operation should only be undertaken where the conditions are favorable for success. Two things are needed: first, the right kind of people, those who can work together and know how to co-operate, or can and will learn how. A few people, hot with enthusiasm, will not go far unless this enthusiasm can be transmitted to others and become intelligent conviction which is strong enough to persevere. How many will join and how much will they join? Will they only join until they are asked to submit to some slight inconvenience or are lured by apparent bargains in private stores? ¹ Sometimes people

When and where to start

The right group

¹ Much may be done at the time of organization by frankly facing these possibilities and probabilities and recognizing that it is hardly fair to ask some of the number to act as directors and put their hard work and much worry into the conduct of the business, while others indifferently turn aside and leave the loyal to bear the fixed charges incurred for the purpose of serving the whole membership. He is not a co-operator who is willing merely to accept such savings and benefits as are brought to him with no effort on his part. Only he is a co-operator who can be of service to such a movement, who is willing to forego some conveniences, to put up with some annoyances and to stand loyally by for the sake of what he believes will be the ultimate advantages of the movement. Only such loyalty can bring success. There will be plenty of people to buy the goods when the savings are entirely obvious to everyone, nor will the people who then come forward be entitled to any particular credit or thanks, but during the early stages while the co-operative idea is being worked out and while

of different nationalities find it difficult to work together. Even religious or political creeds are sometimes permitted to divide people. A very favorable group is one composed of the members of some other active organization like a labor union where the lessons incident to cheerful abiding by the will of the majority have been learned. Of course it is a great gain if the prospective co-operators are accustomed to study and discuss together their problems of living. If there is the right group or the making of the right kind of a group, the second question is as to the common need to be met. The first aim of co-operative self-supply is to get either better quality of goods or to get them at lower cost, or both. If goods of as good quality and as low prices as possible for the group to supply themselves are already being sold in the community, then the need in this direction for co-operative supply does not exist. If, for example, in a community where retailing expenses should be normal, it is costing the consumer forty per cent to get groceries from the manufacturer or importer to the consumer, a remedy should be sought. If, on the other hand, the cost to the consumer for the services of the wholesale and the retailer, including delivery, is, say, only twenty per cent, the chances are that a co-operative store could not successfully compete with present dealers and would not, therefore, be able to give its members any pecuniary advantage—that is, until the co-operative system is farther advanced in America than it is now. In other words, it would not be wise to match present imperfect co-operation with such local conditions.¹

the consumers are learning to be at home in the management of merchandizing machinery on their own behalf, there is need for sympathetic loyalty and patience.

¹ A careful estimate should be made of the expense of conducting the business and these in turn expressed in percentages. To arrive at these figures it would be necessary to figure on a basis of a certain amount of sales per week, for purchasing prices to some extent and running expenses to a very large extent depend upon the size of the

There are various other things to be taken into consideration. An estimate should be made, for instance, of the eligible candidates for membership and patronage of the store in addition to the charter member group. Eligibility means, among other things, willingness to pay cash for goods instead of persisting in the habit of buying on credit.

To conduct the business economically a fairly uniform service must be given to all. The kind of service will be determined upon by a majority of the group. For instance, in England the clerk hire is reduced to a lower per cent on the goods handled than is usual in the medium grade store in this country on account of the fact that during busy days and hours the members are more willing than the average American woman to wait in line to be served.

The store should aim to serve people whose wants, due to nationality and habit, are similar, so that it need not go to the expense of keeping a wide range of kinds and grades of goods.

business. Now, to ascertain the business, say, per week or per month, the families who propose joining in the undertaking should give figures as to what their purchases amount to and when the requirements of each family in the group have been approximately ascertained and these added together, this total will furnish a basis of tentative calculation. We will assume that one hundred families are ready to join in the enterprise and that careful inquiry has disclosed that their requirements would amount to an average of forty dollars per family per month. Here, then, is a total sale of four thousand dollars per month. Quotations in detail show that the wholesale price of these goods is, say, thirty-two hundred dollars, showing a gross profit of eight hundred dollars or twenty per cent. Now estimate the salary of the manager, clerks, cashier, delivery boys, delivery rigs, horse keeping, etc., and it will be ascertained that all these, including rent and miscellaneous expenses will come within six hundred dollars per month or fifteen per cent. That would leave a margin of only two hundred dollars net profit without allowing for unforeseen contingencies, but if we assume that the non-member trade will be sufficient to offset these contingencies, we have an enterprise which is on a basis of fair safety, provided all those who are now ready to join the society will give the store their whole trade.

General business conditions should be studied. If the town is largely devoted to manufacturing, the stability of these industries should be looked into. Much the same facts are required as would be sought by a good profit merchant contemplating the location of a store. It is only when all these conditions are taken into intelligent consideration and an intimate estimate made of the requirements of the prospective members that an undertaking should be seriously considered. Calculations should be carried as far as possible and guess work reduced to a minimum.

It is not wise to depend upon any considerable amount of trade from those who do not join at the outset, unless conditions are exceptional. It is only when success has been practically demonstrated that non-member trade can be attracted in any considerable volume.

It will be seen from these suggestions that the trade of the membership should be so committed as to be relied upon. If the preparations are made and expenses of rent, etc., incurred to serve two hundred families and half the members desert, leaving a double burden upon the loyal, the chances will be against survival.

This raises the interesting question of how far the membership should be committed to trade at the store. Some would like to go in if, from the start, they could buy goods of better quality at lower cost and be better served than would be possible elsewhere. Of course, a membership of this kind is a rope of sand. Member loyalty is the keynote of co-operative success. But how much shall the member be expected to put up with in the way of higher prices, or inferior goods or service? That question should be fully discussed at the start and a clearly understood agreement arrived at. This agreement might be one of the conditions which should help to determine whether it is wise to start the enterprise.

The wise plan is to prepare for obstacles and misfortunes and then expect success. A manager may be a disappointment. Unforeseen obstacles may arise in the form of new

competition; or united opposition on the part of wholesalers or competitors, though antagonism of competitors is quite as likely to help as to hurt the co-operative. One of the primary conditions—perhaps the most important condition—which determines the wisdom of starting is the character, determination and dependability of members.

Assuming that the conditions look toward a favorable future of a store, all these considerations also have a bearing on the kind of a store to start. Perhaps a group starting out with the expectation of establishing a full-fledged store of elaborate service would better cut out delivery and all unnecessaries so as to run a small store at a minimum of expense; or, in many cases, it is better to start with a buying club with only nominal expense, and buy together only the articles upon which there is a sure saving. Learning to work together in this way, the store may come on a safe basis later.¹

An important question, is whether there is a suitable manager in sight.

In short, a co-operative store should be started only when it is discovered by intelligent investigation that there is a clear need and a promising opportunity for it. It is very much to be hoped that ere long a central organization of co-operators will be in a position to make or supervise such surveys and investigations, thus bringing to bear the skill and judgment of trained and experienced organizers. Even now it is best to call in such authorities or experienced co-operators as can be found.

The question may be asked why, if the co-operative plan is inherently more efficient and economical, it cannot be made to supersede profit merchandizing anywhere. The answer is that while co-operation appears to possess the advantages which are set forth in this book, these fundamental and beneficent principles have not yet been adequately worked out and embodied in concrete form to fit American needs. And until they are, the greater experience of the profit merchant

Conditions
determine the
type of store
to start

Why will a co-
operative
store not suc-
ceed any-
where

¹ For fuller discussion of buying clubs see next chapter.

is likely to more than offset such of these advantages as can be developed in the new enterprise. The extent to which the initiative, care and sympathetic interest of the consumer can eliminate certain apparently needless distribution expenses and burdens now borne by the consumer has not been so demonstrated in this country, and the methods of bringing these economies about have not been so developed and standardized that they can be successfully applied except under fairly favorable conditions.

Right here is a great work which should be undertaken by a group of people who are willing to labor and sacrifice to establish the new distributive order.

Meantime it is desirable, from the standpoint of the movement as a whole and also from that of the local group, that stores be established only where conditions are such as to give promise of success even with the imperfect knowledge now available.

CHAPTER XIV

BUYING CLUBS

Buying clubs are becoming very common. Groups of neighbors, or the employees of an industrial establishment, or members of a woman's club, or farmers' organizations, form themselves into a club to bunch their orders for supplies and get the benefit of wholesale prices.¹

A few decades ago granges saved their members much money by buying large quantities of farm and family supplies in this way. Since the parcels post law went into effect, postal buying clubs have been organized in various parts of the country. The express companies, deprived of a part of their traffic by the parcels post, have gone into the handling of farm products between the farm and the kitchen. This has led to the formation of many clubs, the number of which appears to be growing.

Buying clubs seem to be of two kinds: those which are promoted and inspired by express companies and mail order houses, and those of voluntary initiative where ^{Two kinds of} consumers start out of their own motion to ^{clubs} study to cut out some of the costs of ordinary retail buying.

While the buying club, if wisely planned and managed, almost always enables consumers to save money, the clubs as a rule are short lived. The grange buying movement

¹ An article in the *Outlook* for Sept. 5, 1916, by John R. Colter, "The Buying Club Movement," points out the widespread character of these groups, many of them very active and effective.

Ruth Severance, in an article "Be Your Own Grocer" (*Good House-keeping*, August, 1911) tells of her own experience in uniting with 28 neighbors to buy in wholesale lots. Both of these articles, while brief and superficial, indicate the promise and trend of the movement.

saved its members hundreds of thousands of dollars on fertilizers, farm machinery and other supplies, but seems almost wholly to have disappeared. The small isolated club as a rule soon disbands.

Why is this so? Each consumer who joins a group to buy collectively benefits himself and helps others to benefit in the same way. With this two-fold motive, why should the clubs not endure? As I have not made an exhaustive study of the question—which I hope someone will do before very long—I can give only my own opinions based upon limited observation and inquiry.

It seems to me that the first essential of successful collective buying is to have a clear idea of the difference in service between buying at retail, in the usual way, and club buying. The club buyer fails to realize what services the retailer performs for him which the consumer must forego if he buys at wholesale through his club.

Let us briefly run over the chief items of service which the retailer performs for the consumer and give a rough figure as to the cost. In the first place, the dealer uses his trained skill and time to buy at wholesale. This costs, say, two to four per cent. Then the goods are moved to the retail store and delivered to the consumer's residence at a cost of from two to six per cent. Then the goods are held in the retailer's store till the consumer wants them which costs one and a half to five per cent. Salesmen tell about the goods, show them and persuade the consumer to buy. This, with advertising, costs all the way from six to ten per cent, in the case of food supplies; and more for such things as dry goods, shoes and jewelry.

All these things and certain others that are incidental, like heat, light, and insurance cost the average retailer of groceries, meats and other foods 17 per cent. His gross profit is 20 per cent, leaving him a net profit of 3 per cent.¹

¹ These figures are based upon extensive investigations made by the Curtis Publishing Company of Philadelphia.

Now, note that what the consumer is after, through the buying club, is not the 3 per cent net profit of the dealer merely, but also the 17 per cent which the retailer pays out to buy service for the consumer. So, the pertinent question for the consumer to ask himself is whether he is willing to go without these services in order to save, say, one-fifth or less on his food. Or, is he too fond of saving trouble for himself and being waited upon? Unless the consumer can see his way clear to deny himself the privilege of waiting until the last minute to order, then ordering in very small quantities to save the trouble of exercising forethought as to how much to buy, then asking to have it sent around "right away," he would better think twice before joining the buying club. Much of the expense of retailing is due to the willingness of the consumer to ask for needless service. Much is due to his indolence. All this the consumer must, of course, pay for.

Consumers
must do with-
out certain
services or
pay for them

The successful buying club, therefore, must be composed of people who, looking these facts in the face, are willing so to plan as to reduce to a minimum the inconvenience of doing without the retailer's services and then go ahead in the spirit of friendly mutual helpfulness. Groups animated by these motives and proceeding in an intelligent way can make material savings in their living expenses and get genuine satisfaction out of their undertaking.

The first thing to do when considering the starting of a buying club is to get such information as is available on the subject. Write to the Co-operative League of America, 2 West 13th Street, New York, for pamphlets, enclosing, say, twenty-five cents and stating what information is wanted. The League will send a variety of literature. Do not hesitate to ask definite questions. This organization exists solely and without commercial motive to promote co-operative buying, especially through the buying club, which to many of us seems the ideal nucleus and origin of the healthy co-operative. Help-

Co-operative
League

ful pamphlets will undoubtedly be issued from time to time and plans developed whereby wholesale buying may be facilitated.

Those interested in buying clubs should also ask the Bureau of Markets and Rural Organization of the U. S. Department of Agriculture, Washington, for such pamphlets as it issues. These will be sent free of charge. Circulars on consumers' buying may also be obtained from the express companies.

The buying club should, at the outset, deal only in such goods as are most convenient to handle and are sure to show a saving. Let the members first buy package goods in such quantities each as enables them to order in original cases. From this it is easy to branch out, adding one or more articles at a time. Meanwhile, the balance of the family requirements may be obtained of local dealers.

Low possible expense of buying club The great advantage of a buying club over a co-operative store is its lower operating expense. It may be necessary, if a room cannot be had free in the home of one of the members, to pay some rent for a small ware room, and a few simple fixtures may be needed. But little additional expense need be incurred. Of course, there is a great advantage in forming a club of acquaintances who work together congenially and upon whose reliability dependence can be placed. We need not say that the member must have a very different attitude towards a buying club from that towards a profit store. Upon the club the member has no claim as he has upon the dealer to whom he pays profit.

If the transaction of club business can be made the occasion for pleasant social intercourse, the by-products of the undertaking may be decidedly worth while. Likewise, much profit and satisfaction may result if the discussion of commodities and of co-operation can be carried on with talks by members and others. What better place could there be for the study and discussion of household economy, food values and the like?

Very small clubs may operate without any legal form of organization, but it is better to get onto the Rochdale basis as soon as possible. Directions for doing this will be found in a pamphlet (5 cents) by Scott H. Perky, secretary of the Co-operative League of America, referred to above.

Club should get onto a Rochdale basis as soon as possible

Before going far toward organization, investigations should be made as to the means of obtaining the goods at wholesale. Some of the large wholesalers refuse to sell at wholesale price to clubs of consumers on account of the objections made by retailers to whom they sell in the same town with the club. A way can generally be found, and one part of the job of the club is to find this way. It is sometimes possible to get the buying done satisfactorily by some local dealer on a commission. If this is not desirable or practicable, there may be a co-operative store in a nearby town which will do it. An effort is being made by the Co-operative League to form a chain of co-operative clubs, that they may help each other by exchanging ideas and information and, if practicable, buy together to get the price advantages of larger purchases.

Another obstacle which may be met with is the fact that local dealers may complain where members buy through the club the most profitable goods, leaving the grocer to supply the sugar and other articles on which the margin of profits is very small. There is little doubt, however, but that places can easily be found where these goods can be had on a satisfactory basis. Of course if a consumer is asking for credit, the obstacle may be difficult to overcome. One object of co-operative buying, however—of economical buying of any kind, for that matter—is to get away from the practice of asking for credit. If sufficient self-denial be exercised at the start, practically any consumer can get onto a cash buying basis; and cash buying is the way to economy, independence and peace of mind. All goods bought through the club should be paid for in cash

Importance of cash trading only

when ordered. To disregard this rule is to prepare for trouble.

One must never try to side-step the fact that the buying club idea involves some self-denial, foresight and work. The buying club is not made for those who are willing to drift in the direction of least resistance, but for those who, for the sake of wise economy, are willing to take some pains; also, for those who wish to do their part towards solving the problems of the consumer. The work, however, can and should be so divided as not to become burdensome to anyone, and then members must so place their orders and take their goods as to reduce labor to the lowest point.

Members must not be discouraged by the fact that savings seem small at the start. Even small economies count in the year and they will pave the way through perseverance to larger ones. It is a good plan to have a fair and comprehensive showing from time to time so that members may not be drawn away by the offer of misleading "leaders" by private dealers. Buying club members will find it profitable to compare notes on prices and places to buy articles which the club does not handle. It is well to keep copies of the catalogues of some of the big mail order houses at the headquarters.

Buying clubs of considerable size in some locations can often make arrangements to get special discounts on goods bought of certain retailers, in consideration of concentrating the trade with those dealers. For instance, a jewelry or furniture house may agree to give all the members of the club a special discount of ten per cent. The club can issue an identification card to members and a list of the members may be filed with the dealer.

These discount arrangements, while helpful for the time being, are to be regarded only as makeshifts since there is still in such buying a profit unknown in rate or amount between the source of supply and the consumer. Co-operation does not tolerate this.

It is to be hoped and expected that buying clubs will be so organized in the near future as greatly to increase their usefulness and lead to large development. For, not only are they a good thing in themselves for the membership, but they afford excellent experience and education for co-operative buying on a larger scale.

The buying club a good school for co-operation

CHAPTER XV

PLANNING A CO-OPERATIVE SOCIETY

✓“Learn to unite—all other graces will follow in their wished-for places.”—HOLYOAKE.

When it has been ascertained by proper investigation that a group of the right kind of people—people who are good co-operating material—can make substantial savings on their supplies by running their own store, it is well to get in touch with an experienced co-operator for advice and suggestions. In fact, the whole process of organizing can be facilitated if an organizer of the right kind can be had on the right terms. However, this is not a necessity in the average group.

After this sizing up of the local situation and the group above referred to, the next most important question is that of manager. Indeed, in a society of any considerable size—having a business of, say, \$50,000 a year—it is usually unwise even to start without a manager in sight. It is well to be in touch with him even though it may be unwise to rely too much upon his judgment and advice as to the larger questions of organization, especially if he be not by belief and experience a co-operator. In case the store be a small one which may have evolved from a buying club the question of manager is of real concern, though the manager be a detail man to act immediately under the direction of the committee.

Now, what is the right kind of manager? If a skilled and experienced merchandizer of undoubted integrity who is also a sincere and competent co-operator cannot be had, shall the society prefer the managerial skill or the co-operative aim and spirit if only one can be had? Probably that would depend upon many things including the

real temperament and character of the candidate, but most of the successful co-operative stores appear to have been built by managers who had the co-operative motive though without experience in merchandizing. One thing is certain on the question of manager,—the board of directors should not be too easily satisfied.

The next question is how many members are there to be had? In obtaining members the whole matter should be stated clearly and discussed frankly. The chances of success and of failure should be faced. Obstacles should be hunted for and anticipated, and above all, no highly colored representations should be made to induce people to join. A disappointed member is a liability even though he continues to buy at the store. It is well where personal acquaintance makes it possible to estimate the probabilities of loyalty of each member, for it is loyalty which counts. The real chances of success are dependent upon the number of members who have an abiding faith in co-operation and will live up to it; who appreciate the value of the broad principles of co-operation and realize that they justify perseverance. Especially should the dependability of members be discounted if they join at an enthusiastic public meeting where they may have been swayed by the excitement of the movement. Some writers believe public meetings before organizing should be avoided on this account.¹

Having secured tentative commitments of membership it is then desirable to find out by canvass or careful estimate how much the group will buy per year in order to make calculations as to the amount of capital stock required. If, for instance, it is ascertained that the average purchase per family will be \$400 and the conditions are such that capital can be turned eight times a year, there should be about \$50 capital per family served. That would mean that a group of 200 would have a trade

¹ See pamphlet, "Starting Right," *Co-operative League of America*,
² West 13th St., New York City.

of \$80,000 per year and require a capital stock of \$10,000. The capital requirements will often be much less than one dollar for each eight dollars of annual sales.

Capital may be divided into shares of any amount desired. The usual size of share in English stores is five dollars. Some workingmen make shares as low as one dollar, while the usual size of shares in the Northwestern States, where capital turns more slowly, is one hundred dollars. Shares should not be so high as to deter subscription but should be high enough to make the purchase of a share constitute an expression of interest and confidence in the enterprise. It is common to permit members to pay for shares on installments, allowing them purchase dividends from the time of subscription and first payment, but not stock dividend nor voting privilege until share is fully paid.

The rate of dividend upon the subscription is fixed at the time of starting the society. This should be no higher than the prevailing interest rate in the community. In New England this may be about five per cent, while the common English rate of five per cent, while the Central States would more likely allow six, and the states far West a higher rate. One thing is imperative: the rate should be absolutely limited and not be higher with increase of profits.

The mistake should not be made of starting without ample cash capital in hand. There should be a surplus in the bank to meet emergencies after fixtures and stock are paid for. If the capital cannot be raised at the outset, it is better to defer starting until it can. *To fail to raise capital is much better than later to fail for want of it.*

In raising capital, as in enlisting tentative members, it is unwise to hold out false hopes. The whole truth should be set forth that each member may act intelligently and have no reason for disappointment or disloyalty. To get people in on the right basis is to make for stability by getting them in to stay.

The legal details of organizing are quite similar to those of organizing an ordinary stock company. Some lawyer in, or friendly to the group who favors the **Legal side of** movement will usually be willing to assist **organizing** without the regular fees. Those most active in organizing should be in possession of all pamphlet literature on the subject. This can be had for a few cents from the Co-operative League of America, 2 West 13th Street, New York City, where free advice can be had for the asking.

The number of directors is optional and will depend upon various things including the kind of candidates available. A small board of three or five is wieldy **Directors** and can act quickly, while a larger board may serve to hold the active interest of more members since a large number will come in contact with a larger number of members. Women are of course good directors: it is wise to have at least part women on the board.

The charter and by-laws ¹ should make very clear the fundamental principles and methods, as limited dividends on stock, one vote to each member regardless of amount of stock held, no proxies, no goods sold on credit, provision for reserve and educational fund, division of all surplus on purchases, and goods sold at retail prices. *To depart from the more fundamental of these is to abandon the* **Danger of departing from Rochdale** *co-operative idea and to invite failure.* It is better **principles** to put these provisions into the fundamental laws of the society to avoid any ambiguity or the necessity of debating the points with those would-be innovators who are not informed upon Rochdale principles. There are two ways to organize store companies: on the old private profit basis, or on the co-operative mutual service basis. These plans are for the latter and compromise is folly.²

¹ See Appendix I.

² The Rochdale plan has been so thoroughly tested and approved, and departure from it has so often been fatal that to try experiments or let down a little here or there is to begin wrong. Methods and details of store work are very proper subjects for invention and improvement, but the English co-operative organization should be altered only

Directors may be elected for one year, or may be divided into three groups, one-third of the board to be elected each year. The more common and probably preferable way is to elect all annually, though there is much in favor of holding over some members of each board to give continuity to the store policy.

The board has general charge of the business, elects its own officers and its own committees. Auditors, as they are to pass upon the work of the board, are elected by members.

It is considered very wise policy in Great Britain to have an educational or propaganda committee wholly outside of and independent of the directors, this to be elected by members. If the directors are liable to neglect this feature of the work by reason of absorption in business details which is often the case, the outside committee should be arranged for. In no case should education be neglected.

In America directors and officers usually act without compensation, except that treasurers may be paid for accounting labor or secretaries for work outside the usual duties of keeping records of meetings, sending notices, etc., for society and directors. In Great Britain directors are apt to get a small fee for attending directors' meetings.

The board of directors employs the manager. In English practice he may have no vote in electing directors or in any matter in which he might be personally interested. Officers and directors may not become salaried employees.

The payment of all surplus above expenses, interest on stock and proper reserves, as dividend on purchases may be called the corner-stone of co-operation. As **Dividend on purchases** we have seen, the consumers thus ultimately obtain their supplies at original wholesale prices with nothing added except the expense of handling them. This expense includes as one item remuneration for the use of the capital required to conduct the business, such reserves as are necessary to make more stable or effective the plant, and after very careful consideration by the best authorities on the subject. Moreover, to depart from the fundamental principles is to make affiliation with approved co-operative societies impossible.

such education as is needed to inspire the activity and devotion required to insure rapid and steady flow of goods. The items of outlay are always open to the member's inspection, consideration and discussion as he pays absolutely *no* profit on the cost of his goods. Here is a sharp difference between genuine co-operation and all counterfeits. In the latter, there are always some profits unknown in amount.

Half rate purchase dividends are by many co-operative stores given to those customers who are not members. This is a question upon which there is a difference of opinion. That policy should be adopted which seems most likely to insure and contribute to the success of the society. The aims of co-operation should not be selfish, and the benefits should be as widely diffused as possible, but at this stage of development the co-operative should take that course which would most surely contribute to its success. If half dividends are not given to non-members the conditions of membership should be made easy. In any case, the subject should be carefully considered from all angles, except in some states where the co-operative laws require that dividends be paid to customers not members, thus taking the matter largely out of the hands of the societies. Plenty of time should be taken to thrash out all these questions of policy and, having decided, the aims of the society should be made plain, kept constantly before the members and adhered to in every case.

It is well if the chairman of the finance committee be apt at interpretation of accounts so that the run of the business can be made as plain as possible to all. One of the first principles should be to keep members closely in touch with the work and progress of the store.

The relation of the board of directors and its committees to the management of the store will depend much upon the kind and size of the business conducted. If a small business, conducted in a simple manner with few or no service features the board, through its proper committees, will be close to the details

Purchase dividends to non-members

Keeping members constantly in touch with store finances

Relations of board and management

and will, in fact, conduct the management. There will be little paid help and work will be done strictly under the direction of the chairmen of committees.¹ On the other hand, if the business is large and its service to members considerable, the manager will be selected with a view to holding him responsible for the technical conduct of the business. He will report results rather than details to the board. In the one case the co-operative idea is more apt to be developed at the expense of technical efficiency where, as in the large store, the operation may be developed to a point of high technical efficiency at the sacrifice of co-operative ideals and the co-operative spirit. The ideal store will promote both simultaneously.

The aims of a store should be kept to the front among the membership in any case. They are the ones for which co-operation exists. When, in future, managers and store workers are so trained and developed that they are at once skilled purveyors of goods and co-operative idealists, the starting and conduct of a co-operative store will be a simpler matter than it is to-day.

But, in any case, no matter how independent of the board the manager may be, he will of course be required to adhere to the fundamental policy adopted by the board. For instance, he will sell only for cash and under such other broad rules as the society may adopt.

Directors will find that many questions will arise which space forbids me even to mention here. But if the ideals of the movement are kept in mind and the business faithfully attended to, the work will be interesting and even the solution of knotty problems will add zest to the undertaking. The directors should keep as closely in touch as possible with other societies and ere long we may reasonably hope there will be regular meetings in different parts of the country where co-operators can exchange experiences and opinions and help each other in many ways.

¹ Send to the Co-operative League of America, and to Office of Markets, Washington, D. C., for booklets.

Working out
store prob-
lems an in-
teresting
task

CHAPTER XVI

STARTING AND RUNNING A STORE

✓ "What is needed is the application to distribution of science and research as these methods are now applied to production."—P. H. NYSTROM, PH. D.

The purpose of co-operative buying must be kept constantly in mind in connection with making the arrangements for the starting and running of the store. This purpose is not to make profits, but as a club to be thoroughly helpful to members in connection with supplying their own material wants. The store should aim (1) to give all possible aid in wise selection, (2) to give positive assurance as to quality and measure, (3) to furnish goods at the lowest possible cost, and (4) to see that the production and distribution of the commodities are carried on in a way not hurtful, but rather helpful to the people connected with the work.

The carrying out of the co-operative idea assumes that the management will sustain professional rather than commercial relations with the members of the society. In giving information and advice the management will take the attitude of the honest engineer, architect or physician.

Will this policy win out beside sharp competition? It is the very basis of the success of mutual service purveying, and trouble should only arise where the management departs from it by compromising with competitive methods and so fails to win the utter confidence of the consumer. Sharp methods are not only out of place in a co-operative store, they cannot win there. The co-operative store has not the means to succeed that way. All the arrangements must be made with this larger service in mind: the location, size and kind of store, the interior arrangement and fittings, the buying and handling, selling

and accounting, must contribute to this ideal of final service. When this is so done as to secure the recognition and confidence of members, the battle is half won.

In choosing a location for a store the considerations are convenience to members and conspicuousness to attract new members and non-member trade. If local conditions are such that no non-member trade of consequence can be expected, it may be best to take a location on an inexpensive street. This especially if new members are more likely to be attracted through present members than through dropping into the store.

A small society may sometimes find a room connected with some club of similar mutual aims, where rent may be very nominal. But it should be borne in mind that at least a comfortable room, with suitable surroundings will make for success.

A co-operative society is not usually justified in expecting much trade from outsiders. For this reason a society would do well to keep its rent down to one or two per cent of its volume of trade instead of paying perhaps twice that percentage for a prominent corner. It is usually better to put cost into hospitality so that when a customer does call he is pleased, rather than to put it into rent to make the store conspicuous. When in doubt it is better to err upon the side of economy. The profit store takes the expensive site because it advertises the business. The co-operative store should depend upon other influences, so far at least as its own membership is concerned.

As to size of store, shape and arrangement, again my suggestions can be only very general since circumstances vary so widely. The main thing is that every item under consideration should be judged by its earning power. If, for instance, an expenditure of one per cent in size of store, adaptation or convenience will save two per cent in operating expenses, then there should be no doubt about incurring the one per cent. Or if the larger room will contribute enough in looks and dignity to promote trade or membership to justify the

Location of store
Ultimate economy to be considered

extra cost, then it is probably wise. That is, intangible and remoter advantages may wisely influence a decision.

In arranging the store the first thing is so to display goods as to enable the buyer to decide quickly. Goods should be so placed as easily to strike the eye, and everything possible should bear a legible price mark. When occasion requires, goods should have placards giving information of interest to consumers. For instance, eggs might be marked to show how much they weigh per dozen, how old they are, etc. Every item should be given which will expedite selection or make buying more easy and satisfactory.

The next point is convenience of handling. Advertising and salesmanship, treated elsewhere, and convenience of handling may well make a very considerable difference in the cost of doing business. Here Convenience of handling is where co-operation should prompt invention and experiment as to new ways of doing business. A chain store promoter in the south has started some stores in which every customer goes in and helps himself, paying the cashier when he leaves the store. By this method he claims that the total expense of each store is brought down to below four per cent. It is quite possible that some modification of this help-yourself plan may be adapted to a co-operative enterprise. In these "grocertarias," quite a number of which are in operation in different parts of the country, all goods are put up in packages so that all the customer has to do is to put a package of each thing wanted into a basket, check it up at the cashier's desk, put the packages into a paper bag, or buy the basket to carry home. In any case, the amount of walking and time necessary to put up an order should be reduced to the lowest point in the interest of economy.

In the matter of fittings the same rigid economy should prevail, but economy means spending money when the expenditure is profitable. I have pointed out that one advantage of co-operative buying is to save bother and

worry, but that means that machinery must first be so devised and organized as to be automatic. So the amount of thought put into the planning and arranging of a store will determine how much thought will be saved by it later. The hardest writing makes the easiest reading.

The next question is buying, and perhaps this is the most difficult part of successful store management.

To begin with, there is the question of policy as to what to buy, whether packaged, branded goods or bulk goods, and the question is so important that I have discussed it in a chapter devoted to that subject. But whether branded goods are mainly handled or not, it is the business of the buyer to know the intrinsic qualities of everything he handles, even though it bears a well-known trade-mark. It is no small task to know and keep posted on the quality and values of hundreds of articles. This is more important in a co-operative store than in a profit store for, as already stated, the aim of the co-operative is to enable the consumer to get the really best and not merely that which may be most widely advertised, and also to get it at the lowest possible cost. Only judgment of intrinsic values will enable the manager to serve this end.

How much to buy; how to care for and handle goods in stock to avoid deterioration or waste, are also important questions. How shall we keep account of goods in stock and amount of sales, so as to know when a new supply will be needed? All these things should be done in the simplest, least expensive, and most automatic ways.

Where is it best to buy? It is exceedingly easy for a buyer to move in the direction of least resistance and most persuasion and buy through regular channels of the travelling salesmen who call. The jobbing business is based upon the assumption that the average dealer's inertia is such that he will want to be prodded and solicited. That he likes to be wooed and catered to, that it makes him feel important to be sought after. He often makes the traveller

wait and treats him with scant courtesy. This is all typical of the present system of distributing goods. The manufacturer solicits and kowtows to the broker, the broker to the wholesaler, the wholesaler to the retailer, the retailer to the consumer, and the consumer pays the whole bill. The drummer gets around one-third the gross profit which his employer gets for handling goods: that is, a wholesale grocer who gets twelve per cent gross profit pays his traveling salesman about four per cent. It is not easy for the retailer, co-operative or otherwise, to avoid paying the commission to the solicitor, but a way should be found to avoid most of it. If the retailer has sufficient foresight and finds and goes to the right wholesaler, he is likely to get around the larger part of the charge.

But why not also skip the wholesaler and take to himself the profit which the wholesaler exacts? This is a natural question which is always asked when one first approaches the subject of distribution of commodities. The answer is not simple, but in a general way may be made as follows: The original producer, be he grower or manufacturer, especially the former, is not in a position always to fill orders promptly and satisfactorily, and to sell in the relatively small quantities in which the retailer buys. And, as before stated, the usual plan is to push the goods by soliciting orders. The producer of a single article can rarely afford to send a salesman to visit and solicit all the small dealers. Then again, there is the question of credit of the local merchant, upon which the producer of a single article is not in a position to keep well posted. The dealer who tries to buy of the farmer, for instance, has many unsatisfactory experiences. The eggs or maple syrup he sends for may not be up to the mark in quality, and it may be difficult to reject unsatisfactory goods and get another supply promptly. The farmer is rare who complies with the principal rules and usages of the best jobbers. These and many other things make it difficult for the co-operative

Not easy to
avoid paying
the whole-
saler

Buying of
original
sources

buyers to buy direct of original producers. Moreover, many of the manufacturers and some of the farmers' shipping associations refuse to sell to retailers on the principle that they (the producers) need the services of the wholesalers, and to get the best of such services they are obliged to avoid selling to those who would otherwise buy of the wholesaler.

But in spite of all these obstacles the co-operative store should study to buy from original sources as far as possible and should keep at it until every resource is exhausted. There are undoubtedly articles which it is a physical impossibility to obtain from original producers, but there are many others which, with perseverance, may be obtained and which will prove a real boon to consumers and to the store. It is better to take much extra trouble and incur risk as to quality and promptness of supply in order to establish these connections and devise methods which will ultimately mean a shorter and cheaper route from producer to consumer, with consequently fresher and better guaranteed goods.

The pricing of goods is a subject which requires much judgment and tact. In one sense it makes no difference **Pricing of goods** how much co-operative members are charged for their goods when they buy, since all the surplus beyond the wholesale cost and expense of handling is returned to the consumer in the form of dividends on purchases. On the other hand, it is desirable to require members to leave as little surplus as possible on deposit at the store to be returned later for it will come to pass even in a co-operative store that the lower prices are, the larger will be the volume of trade and hence the lower the rate of expense for handling. Then again, as stated elsewhere, it is desirable to have prices about on a level with other stores of equal grade, in order that the rate of purchase dividend may indicate the direct cost saving advantage of co-operative buying. A keen study of local conditions will be necessary to enable managers to act wisely in this matter.

The hiring and management of help are discussed else-

where. Also the delivery of goods has a chapter to which the reader is referred.

The necessity of proper cost accounting and bookkeeping generally is too obvious to require much comment. The manager and his subordinates cannot too early get the habit of thinking about all parts of the business in terms of costs and earnings. In terms of
costs and
earnings

Things are often done because others do them or because it is a habit to do them, when if the earnings and costs were compared, they would be cut out at once. On the other hand, expenditures are often thought to be extravagant which, when earnings are considered, are found to be profitable. Efficiency and economy do not consist merely in refraining from expenditure.

The nature of the case and the scope and limits of this book make impossible more than a brief general discussion of these practical matters. Those close to the management, whether as directors, managers or store workers should read the books and papers devoted to these subjects, utilizing such suggestions and instructions as are adapted to co-operative distribution in general and to their type of enterprise in particular.¹ Literature on
store man-
agement

¹ *A System of Accounts for Retail Merchants*, is a pamphlet issued by the Federal Trade Commission, Washington, and will be sent free. *Harvard System of Accounts for Retail Grocers*, Harvard Graduate School of Business Administration, Cambridge, Mass., should be studied.

CHAPTER XVII

THE DELIVERY PROBLEM

The expense of delivering goods from the store to consumers is the largest single item in the cost of retailing except salaries of sales people. The cost varies greatly, ranging all the way from two per cent of sales to fifteen per cent or more, depending upon the character of the community served, the size of the business, and various other conditions.¹

Housewives are often advised to carry home all their purchases. Some reformers go so far as to advise that all delivery be done away with. So-called "economy" stores which deliver no goods and have no telephone, are multiplying rapidly at the present time. Such stores appear to prove that goods can be sold at lower prices where no delivery is given than where free delivery for all sales is offered, in spite of the loss of such customers as insist upon delivery. But to dispense with delivery when it is needed would seem to be a step backward. It is required in many cases and is wholly desirable. Also, ordering by telephone undoubtedly has many advantages that cannot be offset by its evils.

To dispense with telephones and delivery, then, for a

¹ A recent investigation made by the U. S. Census Bureau showed that the cost of delivery in Washington ranged from 19.8 per cent of the retail price to 26.1 per cent on bakery products; dairy products, 11.3 to 13 per cent; groceries and meats, 2 to 8.2 per cent—average, 4.4 per cent; ice cream, 10.8 to 40 per cent; coal, 8.1 to 19.3 per cent; ice, 45.6 per cent; food products, average, 7.4 per cent; laundry, 10.3 to 20.3 per cent; and miscellaneous, 1.7 to 20 per cent, average 6.2 per cent.

store which undertakes to give anything like all round service to its community is out of the question.

The complaint is often made that customers frequently ask to have small purchases sent, in fact that they order in unreasonably small quantities requiring an excessive number of calls. But is this not as much a fault of the "free" delivery system as of the customer?

The pretence of giving something for nothing is one of the characteristics of a distributive system which is not frank with the consumer. "Free" delivery is merely one of the free or below-cost things which go with "bargains," trading stamps and premiums, and other indirect practices.

There are many evils inherent in so-called free delivery. One is that the expense of the service is concealed from those who have it to pay for. Concealed charges are ^{Evils of "free delivery"} very apt to be unfair charges. The assessing of expenses for delivery is no exception to the rule. There is no justification for charging the expense of delivery to those who do not have the delivery but carry their goods away with them. The level price plan by which the customer who asks for frequent small deliveries and the customer who has no delivery pay the same price is manifestly unjust. Under "free" delivery a customer has no incentive to order in large quantities and carry small purchases away to save too many calls of the wagon. This and the ever convenient telephone encourage frequent small orders which the customer generally wants sent "right away." The great cause of unnecessary expense is the fact that customers, deluded by the word "free," make use of delivery much oftener than is necessary. A little forethought in ordering ahead and the carrying of small purchases would probably reduce the delivery of a full "service" store by one-half. But the customer has no incentive to exercise this care. Her goods will apparently cost the same if she does cause the store an expense of ten per cent to deliver them. Considered from any standpoint you will, the "free delivery" plan is an evil idea.

There is an easy and straightforward remedy for the trouble, a remedy which admirably fits the co-operative idea and spirit: *Why not make a charge for delivery?*

The remedy:
Charge-for-
delivery plan

This plan has been in operation for some years at the Montclair (New Jersey) Co-operative Store. All prices are based upon goods delivered *at the store, not at the residence of the buyer*. A uniform charge of seven cents is made for the delivery of any bill of goods anywhere within the regular delivery territory of the store. The charge is for each call of the deliveryman, regardless of the amount of the order,—this, for several reasons. First, the real expense is in stopping and leaving the goods, especially when goods are collected for on delivery. Again, the uniform charge for small or large orders tends to increase the size of orders and, since larger quantities cost a smaller percentage to handle, reduces the cost of store work. Distance is disregarded in fixing the amount of charge because what counts most is not distance from the store, but distance from the last preceding call. And, finally, the uniform charge is in the interest of simplicity. The seven cents does not quite cover the expense per call, but was adopted with the hope that when, with the growth of business, calls became frequent enough, each call could be made at that average cost.¹ When this plan was adopted

Reasons for
uniform
charge

¹ At a hearing on express rates a New York department store gave its cost of delivery per call in different sections as follows:

It costs 7¹/₂ cents to deliver each package in Manhattan from the Battery to 135th Street. The cost in Brooklyn, including deliveries in Coney Island, Flatbush, Ridgewood, and Greenpoint is 9¹/₂ cents. In Jersey City, including Hoboken and Weehawken, it is 10¹/₂ cents. In the Bronx zone, which includes Yonkers, Mount Vernon, New Rochelle, Tuckahoe and Mamaroneck, the cost is 6¹/₂ cents; Port Chester, including the district from Larchmont to Stamford, Conn., and White Plains, 16¹/₂ cents; Tarrytown, including from Hastings to that town, 11 cents; Staten Island, including Bayonne, 11 cents; the Long Island district from Long Island City to Bayside and Queens, 12³/₄ cents; Hackensack, including Homestead, Closter, Ridgewood

by the Montclair store it was quite generally opposed. Dire results were predicted. But by constantly keeping the advantages before the people, objection has practically disappeared and the plan is working well. The justice of the principle is generally admitted. People who have goods delivered pay for it. Those who do not have this service enjoy the saving. The housewife who so systematizes her ordering as to have only two or three deliveries a week pays accordingly. On the other hand, she who has two calls a day also pays accordingly. The plan tends to encourage larger and less frequent and more systematic ordering, correspondingly reducing the cost not only of delivery service, but also of work in the store. The principle is just and tends toward a degree of economy which will do much to solve the delivery problem. Its equity and mutuality are calculated to commend it to co-operators.¹

Another rule practiced by this store and by some others is to limit the number of trips over each route. The hit-or-miss way of delivering is to send wagons out whenever the pressure of some customer or the number of orders put

and Paterson, 12 $\frac{1}{4}$ cents, and in Newark, Passaic, Morristown, Plainfield and Elizabeth, 8 $\frac{3}{4}$ cents.

¹ When the Montclair store was first started a plan was adopted and followed three years which avoided adding the charge for delivery to the bill. A discount of five per cent was made on all members' purchases payable at the end of each quarter, unless goods were delivered. When goods were delivered a charge of ten cents was made for each call of the wagon. But this charge did not go on the bill but was deducted from the delivery bonus discount at the end of the quarter. Thus, a member buying \$100 worth of goods during the quarter and having had, say, fifteen deliveries during the same period, at the end of the quarter this member would receive a check for five per cent of \$100 or \$5.00 less \$1.50 or \$3.50. The advantage of this bonus delivery plan is that no specific charge on the bill needs to be explained. Its disadvantages are that lowest initial prices cannot be made at the store to attract trade and the system requires considerable extra bookkeeping. The Montclair store very much prefers the flat charge plan now followed.

up seem to make it expedient. Hence, the same routes may be covered several times a day. The practice of the Montclair store is to send delivery cars out only twice a day, at 9.30 for luncheon orders, and at 2.30 for dinner orders.¹ One remote route is covered only once daily. If extra deliveries are wanted by a customer they are made if a rig is free, at a charge of ten cents extra. The enforcement of schedule requires a clear understanding with customers and firmness on the part of the management. **In harmony with co-operative principles** This also is a thing so manifestly right that when co-operators understand it they can hardly fail to give their sympathetic help. Here let us say that co-operation means working together, in this and in other merchandizing reforms. To this end members must be kept constantly in touch with the rules, aims of the management, and so far as is possible, the reasons for all that is done. There is need for constant education and every possible manifestation of mutuality of interest.

In quite a number of towns in the central west the plan has been adopted of having a single delivery equipment **Joint delivery** to do the delivering for a number or all of the merchants. In some cases the delivery outfits are owned by an individual who charges each merchant so much per week or month. In other cases, the merchants have joined in one company, each putting his delivery equipment into the company and receiving sufficient stock in the new company to compensate him. There would seem to be no better way to organize this business than for the merchants to form a regular co-operative company operating upon the Rochdale plan. In that case each merchant would pay enough for service so that the work would be safely financed, the surplus being paid back to him on the basis of patronage. There are no reliable reports from these joint delivery undertakings, but some of them appear to be giving service superior to that given by indi-

¹ There is an extra delivery early Saturday morning to get out Saturday goods ordered Friday. Placing of week-end orders on Friday is a custom which is growing, and is greatly to be commended.

vidual merchants, and also saving a considerable part of the expense, some say forty to fifty per cent. There is no doubt that plans of this sort will ultimately be worked out to the great advantage of either merchants or consumers. Of course, all the savings would go to consumers in the case of co-operative stores. The principal obstacles to such a plan, under the present system, seem to be jealousy between merchants and the desire to retain such individual advertising as a firm's wagons on the street give.¹

Quick, satisfactory and economical delivery is not an easy problem, and not the least difficult of its questions is what kind of vehicles to employ. The wise **Delivery vehicles** manager will not take anything for granted in this matter. Close figuring is necessary for good results. Of course, very much depends upon local conditions. The bicycle and tricycle are much used in England, and on good level roads for near-by calls are undoubtedly desirable. Tests were recently made by engineers who reported that under average conditions horse-drawn wagons are most economical for half a mile around the store, that for the next mile in radius electric vehicles are cheapest, and for the outer zone gasoline cars do the most efficient work.

Transportation engineers are sometimes employed to study a store's needs and make recommendations. Tests and guarantees are necessary. No guess-work or hearsay should be relied upon.

Another question which requires careful study is the laying out of routes to make the most calls at the least cost and do it on time. And this question will not stay settled but requires frequent re-examination with growing and changing trade. It is well to be amply supplied with maps showing routes and territory, thumb tacks to show regular calling places and all other helps to system and economy.

In making calls there are various things to cause delay,

¹ Leaders can doubtless get in touch with recent union or co-operative delivery undertakings and those most successful by inquiring of the editor of *System*, Chicago, which is constantly making surveys and investigations of such matters.

some of which are not within the control of the delivery-
Quick calls man. But the delays caused by the customer can be largely eliminated by the practice of the right kind of tact. If, without rudeness, the deliveryman shows that time is valuable, he can do much to expedite his work.

Collecting on delivery often adds to the time necessary at each house. It may seem best to hold out special encouragement to members to have deposits at the store. But these are things which must be studied with reference to local conditions and the extent of education of members. Successful co-operation requires a degree of intimacy between members and management which is comparatively new to us in this country. Some of the care of which the housewife has been relieved in the kitchen by the canner and the food manufacturer may well be exercised over the agency which brings her foods ready for use.

It cannot be too strongly emphasized that the delivery rig and the deliveryman are the outside representatives
Appearance of the store and visible to everybody. Their
and courtesy appearance should be such as to create the right impression. These will deliver a message to the public; it is with the management to decide whether the message shall be advantageous to the movement or otherwise. The courtesy, kindness and intelligent service of drivers will count for or against the movement even more. The employee of a co-operative store is not, however, called upon to adopt a truculent or obsequious attitude. His position, in keeping with the spirit of co-operation, is one of dignity, self-respect, with all-round helpfulness.

It need hardly be said that account of the cost of delivery service, in great detail as well as in totals, should be carefully kept.

CHAPTER XVIII

HANDLING TRADE-MARKED GOODS

More and more manufacturers and other producers are marketing their products by the advertising method. The rapid development of this plan of distribution is raising some knotty questions for both merchants and consumers, and presents problems to the co-operator which require careful consideration.

Under the new plan a manufacturer of, say, oatmeal, instead of selling it to merchants by the barrel, in bulk, to be weighed out for the customer, now puts his product up in packages and prints a fancy trade-mark on the package. He does this so ^{Evolution of packaged goods} that consumers who like his oatmeal may be able to call for it and get it repeatedly, thus increasing the sale of his goods provided they are of such quality as meet the consumer's requirements. He puts up a good article with care so that more people will come back for it.¹ Then arises the question of how he can get more people to call for it the first time. It is found that this can be done by advertising. By reason of the demand created by advertising he is able to put in automatic weighing and packaging machinery and other improved facilities. This reduces very materially the cost of production. The stimulation

¹ When Thomas Jefferson was Secretary of State, Samuel Breck, a sail-cloth maker of Boston, petitioned Congress to be allowed to register his trade-mark. The matter was referred to Jefferson, who reported favorably, and gave his opinion that it would "Contribute to fidelity in the execution of manufacturers to secure to every manufacture an exclusive right to some mark on its wares proper to itself."—Quoted by John Lee Mahin, in *Printers' Ink*.

of demand also makes possible the reduction of other selling expenses like travelling salesmen. Thus by making a good article, trade-marking it, and pushing it through advertising and skillful salesmanship, many manufacturers have built up great and profitable businesses.¹

Now a question of policy comes to him. He is at the parting of the ways. Shall he reduce the price to the consumer, or shall he presume upon the reputation of his product to keep the price higher than ~~shall producer divide his profits with the consumer?~~ is necessary? He has a wide option here. The influence of advertising upon the mind of the consumer is so strong that he will pay considerably more for the celebrated article. Many producers take advantage of this important psychological fact and charge an unjustifiably high price to the consumer.

Of late there has been increasing inquiry as to the cost of these trade-marked articles as compared with like products sold in bulk. Some investigations of the subject have been made which seem to indicate that the consumer pays dearly for the advantages which trade-marked goods confer upon him. The report of the Osborn Commission on this point has already been referred to. Mr. George W. Perkins, chairman of the Mayor's Food Committee in New York, has urged all consumers who wish to consult economy to buy their food in bulk to avoid the excessive cost of the packaged goods. Numerous investigators beside these quoted have advised the same thing. On the other hand, women are often urged against buying the "just as good" bulk products. Which is right? Here is an important question for the American housewife. The question of difference in cost should not be a difficult one to settle, so far as there is available in bulk the product of the same kind and quality to compare with the advertised brand, which is often the

¹ To illustrate: C. W. Post of Grape Nuts started poor and left an estate of \$18,000,000; Quaker Oats are said to pay annual dividends of \$1,900,000, while each letter of the word Uneeda is said to be valued at one million dollars.

case.¹ It is quite probable that the excess of cost of trade-marked goods over bulk goods runs all the way from a very small difference up to double.

The question for the co-operator to ask is whether in each particular case that instrument—the advertised trade-mark—is used in the interest of the consumer. An advertised commodity is worth to the consumer a price equal to that of an unadvertised article of like quality, and as much more as the assurance of merit is worth. That is, if the advertised article is of such known merit as to afford an insurance and peace of mind to the consumer over and above what would be felt regarding the unadvertised goods, this assurance is worth paying an extra price for if necessary.²

But it seems to me that the more fundamental question is not choosing between package goods and bulk goods. The question is whether the co-operative buying system will not enable the consumer to obtain like quality and adequate assurance of quality, cleanliness and sanitary conditions without paying the excessive price of the advertised brand.

The co-operative store can select, O. K., and package its goods at little net cost

The co-operative system has an advantage which ordinary methods of merchandizing do not possess in the matter of conveying to the consumer assurance of quality; it does not have to overcome the resistance of suspicion which other distributors encounter. We know that all advertising and salesmanship in profit distribution has to

¹ Brought out in the recent suit of the Great Atlantic and Pacific Tea Company against the makers of "Cream of Wheat."

² It is frequently asserted that the cost of advertising is not borne by the consumer since advertising reduces the cost of distribution so that its total cost is not as large a percentage as it would be if no advertising were done. It is quite true that the cost to the consumer may be reduced through advertising just as transportation may be reduced by using the railroad as compared to the wagon. All the same, all the factors of cost are borne by the consumer, and the question is always pertinent whether a less costly method be possible.

encounter a barrier which stands in the way of convincing the consumer by reason of a natural distrust of the distributor on the part of the consumer. This for two reasons: the consumer knows that the distributor is tempted by a profit motive to exaggerate the merits of his goods, and that, in the consumer's own experience, such exaggeration is common. By reason of this discounting of the representations of the distributor the cost of advertising and salesmanship is greatly increased, perhaps doubled. By reason of the different attitude of the co-operative buyer such assurance can be conveyed for a fraction of the cost of ordinary profit merchandizing advertising.

For this reason, the co-operative policy on all staple articles would seem to be that of laboratory test and certificate of the co-operative's expert. Goods should be inexpensively packaged where feasible and desirable, and when such a package of oatmeal or other product so certified is offered to the consumer, his assurance thus received should be wholly satisfactory, and thus the co-operative consumer can have all the sanitary and quality advantages of advertised goods at practically bulk prices.

It is doubtful if sanitarily packaged goods need cost more than bulk goods of like quality. It is claimed that the automatic weighing and packaging machine is capable of putting up goods at so much less expense than the grocery clerk can weigh them out as to offset the cost of the carton in excess of the cost of the paper bag and string. Whether this is literally true I have not been able fully to satisfy myself. But the chances are that the excess of cost of packaging is less than the advantage in cleanliness and convenience.

The grocery clerk at \$15 a week weighs out the goods while the customer waits and perhaps witnesses some carelessness which is uncomfortable. On the other hand, the girl at less salary than the clerk tends a machine which unerringly puts up hundreds of packages per minute.

So the question is not primarily between packaged or

bulk goods, but between advertised and non-advertised goods. For it is not the packaging which mainly costs, though there are often selling frills in packages and labels which are expensive, it is the advertising and sales program and additional profits which cost.

But it is the advertising which conveys the impression of assurance of quality. How can this and greater assurance be enjoyed without the expense of advertising? Simply by this faith which co-operators would come to have in the O. K. of their unbiased manager and buyer, an O. K. built upon thorough inspection and scientific tests. Consumers would buy as corporations now buy: this is what group quantity buying means.

Have we not here a simple method whereby the co-operative buying organization could save the consumer probably as much as twenty-five per cent on the cost of what is now sold to him through advertising?

The conclusion, then, is that while the advertising method of marketing products has been of great advantage to the consumer, this advantage can be had through co-operation at a fraction of the usual present cost, and co-operators, therefore, would handle advertised brands only when goods are placed within the reach of consumers at as low a cost as the co-operative plan would enable that to be done.

CHAPTER XIX

CO-OPERATIVE ADVERTISING AND SALESMANSHIP

In Chapter VIII, I have undertaken to indicate the attitude of co-operation toward sales pushing methods. This has been applied, in Chapter XVIII, to the formulation of a policy with regard to branded goods. In this chapter it is my purpose to discuss the practical application in the co-operative store of advertising and salesmanship.

One of the largest tasks involved in the development of consumer co-operation is the working out and building **Meeting the up of a system to diffuse among consumers consumer's need for in-formation** such information as they must have in order to spend the rewards of their labor for that which will give the greatest and most permanent satisfaction.¹ Such a system will be a new thing under the sun.

¹ Co-operative advertising and salesmanship should feature the goods people ought to buy and not the goods which make a profit for somebody. For example, foods of the greatest nutritive value should be made prominent and described. Dr. A. W. Smith, chemist of Baltimore, is authority for this statement:

"The food-value of one pound of corn-meal, grits, or hominy, costing three cents, is equal to the food-value of any of the following commonly used foods:

1 pound of wheat flour, costing	\$0.06
1 pound of rice, costing . . . . .	.09
1½ pounds of cheese, costing . . . . .	.60
2¾ pounds of round steak, costing . . . . .	.80
2 dozen eggs, costing . . . . .	.90
½ peck of potatoes, costing . . . . .	.45
6 pints of milk, costing . . . . .	.30

"The South knows and appreciates the value of white corn for table use; why not the North, the East, and the West?"

It is difficult to exaggerate the benefit to consumers which could be conferred by verifying and publishing such information as this.

The aim and motive will be so different from those of the present aggressive pushing of goods for revenue only that perhaps the use of such words as *advertising* and *salesmanship* should be abandoned. However, in the new system of enlightening consumers there will be necessary functions to perform in place of advertising and salesmanship, so it may make for clearness to retain these words, inexact as they are, at least for the present.

That keen student and able statistician, Edward Atkinson, author of *Distribution of Products*, wrote me twenty-five years ago that "the physical distribution of commodities is child's play compared with the distribution of ideas about products, which must precede their sale."

The co-operative store manager, buyer, advertising manager and salesman stand between two worlds: the world of human needs and desires and the world of products to meet those needs and desires. The co-operative purveyor will study the actual and potential demands of the consumer, not with the view of exploiting them at a profit, but with the determination to develop and satisfy those demands to the best interest of the consumer.

The kinds of information needed by the consumer to enable him to buy wisely relate to the nature, utility and merits of a commodity and also to its cost and the best way of obtaining the article.

There are two immediate reasons for giving this information: the first, to enable the consumer to buy wisely; the second, to speed up the flow of goods through the store, thus reducing the percentage of expense by the larger volume of goods handled. The profit dealer advertises to increase his profits; the co-operative advertises to serve its members and to reduce expenses.¹

¹ Edward A. Filene, of Boston, from his broad experience and progressive outlook, has this to say:

"Large advertising tends to concentrate business into larger units and this is a good thing, because it tends to reduce the cost of selling. The cost of doing business at retail in this country to-day is simply disgraceful—and this is not the individual retailer's fault, either. It

Means of conveying information Considered from the point of view of the means of conveying it, there are three kinds of information to be given to the consumer:

1. General information about specific commodities which is addressed to consumers in all parts of the country corresponding to general or national advertising.
2. Store publicity addressed to patrons and possible patrons of the individual store.
3. Co-operative salesmanship.

Function of general advertising General information which has no special reference to the individual store but is equally useful in all parts of the country cannot be economically purveyed by the local store. This must be done on a large scale for numerous consumers and stores at the same time. In setting forth the nature, utility and merits of a certain make of soap, for instance, large factors of expense are making illustrations, writing the matter, setting up the type and making ready to print. If the information once ready were sent only to the patrons of a single store the expense per persons reached would be quite prohibitive. But if the information be sent to hundreds of thousands, these considerable initial expenses spread over so many units become very small per person addressed. Preparation of literature and advertisements for nationally advertised products take advantage of this great economy of large editions. Large circulations are the same in effect.

Co-operators in publishing the merits of their certified

simply means that we are inefficient about it—there are all sorts of wastes and dislocations in the process of getting goods from the manufacturers into the hands of the consumers. I believe in large advertising because I know that it reduces the cost of doing business, and therefore gives the goods to the consumer more cheaply. I don't mean, however, that retail business must develop only along the line of the department store—there is just as much opportunity to concentrate in the selling of a specialty. Filene's is a specialty shop doing a \$10,000,000-a-year business." The key to the most striking results of the modern efficiency movement is the accelerating of rate of flow of output without increasing expenses, or without pro rata increase.

brands referred to in the last chapter should take advantage of this economy of output of printed matter. It is quite possible that in default of better media, it might be to their advantage to buy space in such publications as reach a large number of their members. Co-operators can certainly take advantage even now of this idea of joining in the printing of matter adapted to all or a number of stores. Circulars could be printed, a part general and a part devoted to a local store. The *Wheat-sheaf* is a periodical issued in Manchester for English co-operative stores. Most of the matter is general, but a page or two is devoted to the local store to which copies are sold by the hundred or thousand.

The second class of information or store advertising relates to the advantages of the store, the principles of doing business, reasons why consumers should buy at and become connected with the store. Reference will also be made to the kinds of goods kept, a few words of confirmation as to the merits of certain articles, prices and such other matter as the policy of the particular store suggests. It should be borne in mind that one of the places where the co-operative store is to save money for the consumer is in the expense of advertising. For this reason, the wise policy is to impress upon members and possible members the reasons why the co-operative store can purvey goods at less expense than the private store. It is better to tell this story strongly than to depend upon always quoting prices. In other words, it is better to "sell" the store itself to a woman than merely "selling" the to get her to buy a few things which impress her as being cheap. If a store can impress upon the people the true idea of a co-operative store and then live up to it, there will be no necessity for constant quoting of prices, for the buyer will take it for granted that in the long run, she can get net advantages through the co-operative.

This raises the question of special prices and "leaders" to attract trade. These are in principle opposed to the co-operative idea, and, if resorted to as a temporary ex-

pedient, require much explaining away and make the work of co-operative education difficult. The wiser plan is to keep away from the "leader" scheme and sell the idea of co-operation. This is not to imply that advertising should not give prices.

Prices should be given very freely, for the purpose of advertising is to give information and there is no kind of information more important or interesting than price. In fact, it is the price which gives meaning and interest to the context.

If use is to be made of newspaper space it is desirable to occupy some special position regularly. For, besides other readers, a certain number will come to look for the ad. It is also desirable to use a special border which catches the eye readily.

If circulars are to be used a mailing list can sometimes be made up from the membership books, books of churches or certain societies which have civic or social uplift aims. This for the reason that these might be more sympathetic with the co-operative ideal than the average run of people in the directory or telephone book. Some sort of duplicating machine is usually a good thing to have for the purpose of sending informal notices, and so keeping closely in touch with members not readily reached.

Window dressing is an important means of advertising, especially where the window is good and the location favorable. The passerby looks into a window as into the face of the institution and he should not be met by a meaningless expression. Windows should always look attractive and show interesting goods and their prices. To allow the same display to remain too long, or to have no adequate display is to allow a costly and valuable part of the store to remain idle. It should be set to work. Information should be sought in books and papers that the window may be at work all the time to the best advantage.

One of the best kinds of advertising is signs on and in the store. Everything about the store should have an

appeal. The article itself will not appeal. The article itself well displayed on shelf or in case with price marked plainly is interesting and good advertising. It helps **Store cards** to speed up sales and to prevent mistakes. **and signs** Prices are not alone interesting in themselves, but make everything to which they are attached interesting. Little placards giving a few words of information about an article help to interest people in the store and to sell goods. Also mottoes as to the aims of the society should find a place in the store.

Of course, the style of all advertising should be in keeping with the tone and aims of the store. It does not need to be said that superlatives and extravagant praise of goods should be avoided. The co-operative advertiser is in a position to win a degree of the consumer's confidence which, for the profit advertiser, is practically out of the question. To take advantage of the position and acquire the maximum of influence requires restraint and such language as the trustworthy employ. Put yourself in the consumer's place. That will reduce the necessity for much speaking and make co-operative advertising far more effective than private publicity and, of course, the manager in charge of advertising in the co-operative store should be so well informed that he can speak with authority.

The function of store advertising is to begin where general publicity leaves off and leave off where the business of the salesman begins. In other words, the **Store sales-** store advertising should aim to give all possible **manship** information about goods and the store which will serve the consumer, and facilitate the work of the salesman and speed up the flow of goods through the store. The proper division of work along these lines is essential to success. The work of the salesman, then, begins where printed salesmanship or advertising leaves off, and ends with the completest service to the consumer. In a sense, the salesperson should know and be ready to confirm and supplement all that has been done by general publicity and store advertising. The business of the co-operative salesman is

not persuasion for profit, but enlightenment for service. He is the technical expert to whom the co-operative consumer should be able to come for advice with the utmost confidence in both his reliability and disinterestedness. It is this position of the co-operative salesman,—one of great usefulness, which should give inspiration to the young man or woman who seeks to take an oar and not to be a mere passenger.

Careful study should be given to this subdivision of the work of imparting information. It is not economical for a salesperson to have to do the work which Advertising and salesmanship should overlap as little as possible should have been done by general publicity or by store advertising. The salesman lecturing to an audience of one on the nature and merits of a five cent cake of soap is earning very small wages. It is as uneconomical as for a carpenter to plane his own lumber and make his window sash. The salesman should do the finishing after the other work has been done by machinery. Advertising is essentially doing by machinery what would otherwise have to be done more expensively by hand.

The time of the sales force in talking to customers about goods, selling and putting up goods, costs all the way from, say five per cent in some stores to fifteen per cent in others, on the retail price of the goods. The less customers know about goods the longer it takes to wait upon them and the more it costs. It is quite possible, if uninformed customers are waited upon at an expense of ten per cent, that if two per cent had been well expended in advertising the goods which those customers had to buy, they could have been served at a sales salary cost of five per cent. Of course, some time should be spent with each customer and it should not be done grudgingly. But it costs money and so far as is possible should be mainly devoted to giving information such as cannot well be printed. Thus in selling a pair of shoes of course, the questions as to size and fit need to be gone over carefully. But such questions as general merits and quality should, for economy, have been

so impressed by advertising as to require only brief confirmation by the salesperson.

In the economics of retailing too much attention cannot be given to the expeditious handling of sales. It is not alone salesmen's time and expense that are involved in slow selling, but all the overhead **Importance of expeditious handling** expenses of the store. Economy in a store, like economy in manufacturing, is dependent upon large output. If the customer knows goods so well that all that is necessary is for him to call for them, and if the goods are so packaged that they may be quickly put up, the sales expense, and therefore the total expense, can be reduced to a very low figure.¹

Everything about the store should be conspicuously clean and orderly. Merely to be free from dirt is not

¹ Since the large development of distribution through advertised brands, an acute question has arisen between manufacturers and merchants. The manufacturers having spent large sums of money to familiarize the consumer with their goods insist that dealers shall sell them at smaller margins of profit since the advertising done has created demand and made the goods easier and cheaper to sell.

Thus a manufacturer often charges the retailer eighty cents for an article marked by the manufacturer to sell to the consumer at one dollar. The department stores whose selling expense may be thirty per cent or even more naturally object to selling an article upon which only twenty per cent can be made. This leads dealers to have goods put up under their own brands upon which they can make a larger percentage of profit. Manufacturers of trade-marked goods are thus having trouble so to fix the retail and wholesale prices as to induce dealers to co-operate with them.

The question is further complicated by the wide variation in the cost to do business in different localities and the different kinds of stores. A profit of, say, twenty-five per cent might be quite satisfactory to a country merchant whose expense of doing business is only fifteen per cent, but not acceptable to the metropolitan retailer whose expense of doing business is twice as much.

The co-operative plan would settle the whole matter by giving *all* net profits back to customers, thus making the purchase dividends larger on fixed price goods where lower expense is incurred for retailing.

enough. That is negative; there is a positive cleanliness that applies to salespeople and other employees as well as to the store itself. In the average store where men are employed the workers are just far enough away from cleanliness to miss the mark. Fine clothes are not necessary, but to act the part of fellowship and equality implied in co-operation it is necessary to have clean face and hands—finger nails included—aprons, collar, cuffs, shirt and boots, and to have suit well brushed. Moreover, bathing should not be neglected. Where the work is such as to cause perspiration, frequent bathing is especially needed.

In short, the things which are implied in refinement are required and are perfectly feasible in a co-operative store worker. For it should be borne in mind that the value of a co-operative employee depends not merely upon manual equipment, but much more upon intelligence and character.

The more a salesperson or other responsible employee who comes in contact with members and the general public knows about co-operation, the better. Consumers' co-operation is an important movement destined to have a wide and beneficent influence on the future of America, as it has already had in Europe. To know about it and be able to answer questions intelligently is very desirable. Moreover, the more a man or woman knows about co-operative buying, the more interested he or she will be in his work and the more interesting to others.

It is also desirable to be able to explain why a co-operative store does not strive for profit, in order to explain the attitude of the co-operative society towards the members and the public. The interest, joy and enthusiasm of a worker in his work depends upon his understanding its significance. That is especially true when one is engaged in a work which is organized and conducted to better the condition of everyone connected with it. Another thing which gives the co-operative worker a sense of self-respect and satisfaction is the fact that he is under no temptation to

Salesman
should get a
vivid sense of
the significance
of the movement
and of his
part in it

deceive or injure his customer in the slightest degree and he knows the member knows this.

In his service for the consumer the salesman will not, of course, obtrude his advice or suggestions when they are not wanted.¹ If he recognizes his responsibility fully, he will not be egotistical for he will realize that what he knows is little compared to what there is to be known. Nor will he expect to find sure compensation for his valuable services in the appreciation of the consumer. There are many reasons why we all often fail to appreciate those who help us and also why—when we feel appreciation—we often neglect to express it. The real compensation and the sure reward is in the consciousness of being moved by the right spirit. Of this no one can be deprived, and it is a thing really worth while.

¹ A skillful salesperson will learn and practice some psychology. For instance, he will remember that it is better to promise delivery a little too late than too early to avoid, for his customer, the discomfort of disappointment. He will note the fact that when one wants a thing is the time of all others that he will appreciate it. Moreover, he has a sense of discomfort if he does not have it. If the time goes by, he has experienced a season of lack which, however, may taper off so that when the thing comes, if too long delayed, it gives little satisfaction compared with what it would have given when the want was fresh and acute.

PART IV
BACKGROUND AND OUTLOOK

CHAPTER XX

EUROPE AND BEYOND: A STORY OF PEACEFUL CONQUEST

“In spite of the recurring failure of individual societies planted in barren soil, this form of democratic association has but one record,—a continuous increase in membership, trade and accumulated wealth.”—
BEATRICE POTTER: *The Co-Operative Movement in Great Britain*.

Although several good and comprehensive histories of co-operative distribution in Europe, especially in Great Britain¹ are fairly easy of access, let us consider at this point the principal events and general trend of the movement. It is in its beginnings a history of dark days of appalling need with a great idealism conceiving this as the remedy, and the rapid spread of the idea and wide experimentation, unfortunately based on a faulty method, and soon followed by complete collapse. This false start which resulted in the almost complete extinction of the movement was followed in “the hungry forties” by a fresh start with the brilliant invention of dividends on purchases, a humble and insignificant beginning, slow growth at first becoming increasingly rapid, the multiplication of societies, the formation of wholesale societies, the entry into the fields of production, and banking and shipping, the spread of the movement to other lands,

¹ Beatrice Potter (Mrs. Sidney Webb): *The Co-operative Movement in Great Britain*.

Catherine Webb: *Industrial Co-operation*.

George Jacob Holyoake: *The History of Co-operation*, 2 vols.

Percy Redfern: *Story of the C. W. S.* C. W. S., 1913.

C. R. Fay: *Co-operation at Home and Abroad*.

C. W. S. Annuals.

Co-operative News, a weekly periodical (see for current history).

independent origins of other forms of co-operation, the coming to self-consciousness of the forces and their federation, educational campaigns, constant growth and development and to-day one of the mightiest economic structures in the world, made yet stronger by the great war and gaining in strength from year to year and from land to land.

To appreciate its present extent and power we shall need to contrast these with its modest origins, its present record of conquest with its initial failure, the imperial democracy it is to-day with its penury and the pitiful paucity of power in the early days.

The industrial revolution which followed the introduction of power machinery replaced domestic industry by the factory system, stimulated the growth of manufacturing centers and increased wealth, but at the beginning of the nineteenth century the utterly unrestricted competition which was the practice in industry was so merciless to labor that those years are known as "the period of despair." Long hours, the labor of women and children, the apprenticing of pauper children, starvation wages, a pitiful lack of education, long stretches of unemployment, lack of protecting laws, and hovel "homes that consumed them like graves" made the lot of the laborers one of misery and degradation. Robert Owen, to whom by universal consent is given the name of "the Father of Co-operation," after proving in the factory town of New Lanark that he could be at once a pre-eminently successful business man and a social reformer, inestimably improving the condition of the laborers, projected various plans of social regeneration. Though distributive co-operation was not a favorite child of his, Owen's influence and advocacy led to the formation of co-operative stores which increased to the number of four or five hundred. They sold their goods at reduced prices and turned all profits into the business and set aside members, as capital increased, to make shoes, clothing and other articles. From 1828 to 1834 there was a marked period of co-operative pioneering. A number of short-lived co-operative journals were published,

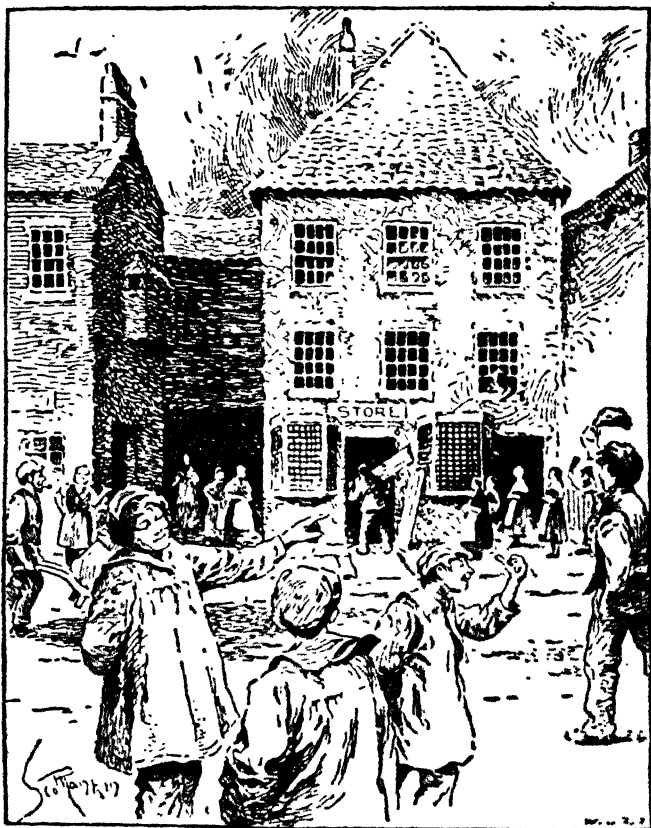
co-operative congresses were held, and even a co-operative wholesale started. But the successful way had not been found. The lack of cohesion in the membership, the lack of a clear and definite plan for conducting the business, and the lack of proper laws led to a speedy collapse of this entire movement. It is a question whether any of its societies lived on into the next decade.

Success came only with the establishment, ten years after the stranding of this first movement, of the little store at Rochdale with its great invention or adoption ¹ **The Rochdale** of the idea of dividends on purchases. But the ^{idea} great issue hung in the balance for some years and the beginnings were painfully meager. Although this has already been touched upon in Chapter VI a further reference will emphasize the contrast of those days of small things with the mighty achievement and yet mightier promise of to-day.

A group of flannel weavers, few and poor, out of employment and nearly out of food, who lived in Rochdale, a mill town of Lancashire, began meeting near the end "Th' Owd of 1843 to consider how to better their condition. **Weymur's Shop**" The teetotallers pointed to total abstinence as the one way out. The Chartists believed that only the universal suffrage for which they were working would help. The followers of Robert Owen advocated co-operation and their views, which prevailed, led to the organization of a society, first registered October 24, 1844, which was known as "The Rochdale Society of Equitable Pioneers," as its main object was to establish equity in industry. These humble men were dreaming a mighty dream, for they stated their objects to be the establishment of a co-operative store,

¹ "It may be noticed, however, that the practice of dividing 'profits' upon purchases did not originate with the Rochdale Pioneers; several other societies, notably Springham Society, and several societies in the west of Scotland, claim to have followed this practice in the thirties, Meltham Mills in 1827, and one Scottish society about 1822. But it is to them (the Rochdale Pioneers) we owe the inauguration of the present system upon a basis which has proved to be so sound."—C. Webb: *Industrial Co-operation*, page 10.

the erection of homes, the establishment of manufacturing establishments, the rental and cultivation of estates, and even planned "that, as soon as practicable, this society



proceed to arrange the powers of production, distribution, education and government."

Their means for realizing their dream were meager. At first to raise the necessary capital each subscribed two pence a week, and there were but a dozen subscribers. Utopia

was afar off. By the time they were fully organized twenty-eight and later forty had subscribed the two pence a week, but they lived apart and each weekly collection involved a twenty-mile circuit. But devoted men undertook it and every Sunday three collectors went about. The amount was raised to three pence, but it took over a year to collect enough to start the store. But when they had raised thus slowly and laboriously twenty-eight pounds in English money they rented the ground floor of a warehouse in Toad Lane, Rochdale, paying a rental of ten pounds a year, and started the store, which was to open a new era, on December 21, 1844. It sold at first only four commodities, flour, butter, sugar and oatmeal, and was open but twice a week, on Saturday and Monday evenings. After buying the store fixtures they had but fifteen pounds to invest in their stock of groceries. The members took turns in serving in the shop. The fixtures and trade utensils cost fourteen pounds.

Their early existence was most precarious. As in co-operative stores ever since few had the vision and most thought only of the immediate advantages, and **The long hard** if ever the quality of goods was inferior or the **pull** prices a trifle higher they took their trade elsewhere. If it cost a little trouble to trade there or involved some passing sacrifice, considerations trifling and temporary compared with the objects sought, others fell by the wayside. But the loyal and far-seeing ones stood by and slowly the store grew. By March, 1845, they decided to take out a license to sell tea and tobacco. So poor were they that their records show that when they needed additional capital one member "promised to find," not to pay, subscribe or advance, but "to find" half a crown, another five shillings and one daring soul a pound. At the end of their first year they had eighty members, a capital of 181 pounds and the weekly receipts averaged in that last quarter of 1845 30 pounds, \$150. The next year, in October, they began to sell meat. The three years, 1846-1848, found the store in grave danger from apathy, dullness and public distress. There were

few new members and receipts but slightly larger; 1846 was worse, as times were hard, trade was bad and members withdrew. But there were slight gains. Where the average weekly receipts the last quarter of 1845 had been 30 pounds, they were 34 pounds in 1846, 36 pounds in 1847 and then the growth began to be apparent, for they rose in 1848 to 80 pounds and in 1849 to 179 pounds. By 1848 the lower room of the old warehouse was outgrown and the whole building, with its three floors and attic, was rented for twenty-one years. It was several years after the store started before it was kept open all day. Its membership increased to 110 in 1847, to 140 in 1848, to 390 in 1849 and to over 600 in 1850, and by 1851 its capital had increased to almost 2,800 pounds.

The success of the Rochdale store gave co-operation a new impetus. In 1847-8 several stores, modelled upon its **Growth and extension** plan, sprang up in its immediate neighborhood. They multiplied at first chiefly in Lancashire and Yorkshire. By 1851 there were 151 co-operative stores in the north of England and the Midlands of Scotland, but few had fifty members. While the stores were increasing in number the Rochdale Pioneers were extending their departments. Shoemaking, and clogging and tailoring were added in 1852, starting them in the field of production. They had helped to start the Rochdale District Corn Mill along lines of consumers' co-operation in 1850, and in 1854 members of the society started the Rochdale Co-operative Manufacturing Society for cotton spinning, dividing the profits in the latter with the workers. By 1855 the Rochdale store had enough neighboring stores to start a wholesale department.¹ Not all of these ventures succeeded, but they were all indications of increasing strength.

A valuable re-enforcement came to the young movement from the Christian Socialists. The Owen movement had **The Christian Socialists** been largely a middle class movement superimposed upon the workers, and the deism of Owen had discredited it with the churchmen. The Rochdale

¹ Catherine Webb: *Industrial Co-operation*, 18.

movement was almost exclusively a working-class movement. Starting just when the Rochdale movement did, the Christian Socialists undertook to combat the ideas and practices of both "the unsocial Christians and the unchristian Socialists." They had a group of unusual leaders in Frederick Denison Maurice and Charles Kingsley, the novelist and poet, both Church of England clergymen, Thomas Hughes, the author of the "Tom Brown" books, E. Vansittart Neale and J. M. Ludlow, all barristers. Like Owen, they appealed to the professional and leisure classes and promoted "self-governing work-shops." Few of these shops lasted, but their educational work was of greatest value in disposing these classes to a sympathetic appreciation of the new movement and destroying prejudice against it. The working-class co-operators and the middle-class churchmen and lawyers soon found themselves working together. The influence and advocacy of the Christian Socialists with the help of John Stuart Mill secured the passage of the Industrial Provident Society Act in 1852 which gave a legal status to co-operative societies, and its amendment, ten years later, which made possible the next important development in co-operation, the union of societies for wholesale distribution and production.

Various abortive efforts to start a wholesale society failed, among others one in 1831, in the days of the Owenite movement, and one in 1856 by the Rochdale Pioneers. The establishment of a co-operative wholesale "Gradually," writes Beatrice Potter,¹ "with the rise of stores in other districts, the habit of wholesale discussion, with the desire for joint action spread southwards to the Midlands, and northwards to Durham and Northumberland and across the border to the Co-operators of Glasgow and its neighborhood." This led to the establishment in 1863 of the North of England Co-operative Wholesale Society of which forty-five local societies took the stock. It opened a store in Manchester with two men and a boy in March, 1864. By November a buyer, cashier, clerk, warehouseman and youth were engaged in larger premises.

¹ *Co-operative Movement in Great Britain*, 81.

The next summer it moved to still larger quarters, and the next year appointed a butter buyer and opened an office for him in Tipperary. It built its own six-story warehouse in 1869 after opening at Kilmallock, Ireland, its second purchasing depot, and later a third at Limerick. The history of the growth of the Co-operative Wholesale Society, as it came to be called, is one of the most romantic of the modern economic world, comparable with that of the Standard Oil Company and the United States Steel Corporation, and the Canadian Pacific Railway and greater than them all because of its democracy. Its first branch, that at Newcastle, its second branch that of London, and its first manufacturing establishment came in the early seventies.

A society which purchased in such great quantities naturally turned its attention to the possibility of entering the field of production, and in 1873 it began its notable career in that line by starting at Lower C. W. S. Crumpsall the making of biscuits and sweets. The second venture was a boot and shoe factory. To-day the Annual of the Co-operative Wholesale Society shows that it has five clothing factories, eight great flour mills, woolen cloth works, cocoa and chocolate works, soap, candle, glycerine, lard, starch and blue works, furniture, bedding and cartwrighting factories, printing, bookbinding and lithographic works, preserve, candied peel and pickle works and vinegar brewery, shirts, mantle and underclothing factory, cap and umbrella making factories, and that it also manufactures overalls and shirts, drugs, pinafores and blouses, leather bags, cigars and tobacco, flannels and blankets, corsets and hosiery, paints, varnish and colors, brushes and mats, hardware and tinplate, butter and margarine.¹ It has not succeeded in every enterprise and has

¹ In its Annual for 1917 the Co-operative Wholesale, Limited, describes its activities as follows: "Wholesale General Dealers, Manufacturers, Bankers, Insurers, Millers, Printers, Bookbinders, Box-makers, Lithographers, Architects, Engineers, Builders, Shipowners, Butter Factors, Lard Refiners, Bacon Curers, Fruit Growers, Dry-salters, Spice Grinders, Saddlers, Curriers, Tanners, Cutlers, Iron

occasionally lost heavily, but its history is one of well-nigh unprecedented growth. Notable among its developments has been the establishment of its own banking facilities and its own insurance department. The banking department is the bank of the co-operative societies and the chief outlet of their accumulating capital. Its investments and assets at the close of 1915 were reported as £7,928,854. Its deposits and withdrawals in 1916 amounted to \$1,347,919,678. A Co-operative Insurance Society which has lately been taken over by the C. W. S. carries the fire insurance of the co-operative societies. A Health Insurance Section has been formed and this had 165,000 members in 1913. The society has creameries in Ireland, tallow and oil factories in Australia, bacon factories in Denmark and Ireland, great tea plantations in Ceylon and Southern India,¹ fruit farms at various points in England where scores of acres raise all kinds of fruit and vegetables for the stores, and the preserving establishments and where tomatoes, cucumbers and grapes are extensively cultivated under glass; foreign buying depots in New York, in Copenhagen, Aarhus, Odense, Esbjerg and Herning, in Denmark, in Gothenberg, Sweden, and in Montreal, Canada. It has a great concession of three hundred square miles in West

Founders and Tinplate Workers, Tea Growers, Blenders, Packers, Farmers and Importers, Fellmongers, Dealers in Grocery and Provisions, Drapery, Woolens, Ready-made Clothing, Boots and Shoes, Brushes, Crockery, Carpets, Furniture, Coal, Hides, Skins, Bones, etc., etc.

Manufacturers of Flour, Butter, Margarine, Biscuits, Sweets, Preserves, Pickles, Vinegar, Candied Peels, Cocoa, Chocolate, Tobacco, Cigars, Snuff, Soap, Candles, Glycerine, Starch, Blue, Paints, Varnish and Colors, Boots and Shoes, Saddlery, Woolens, Clothing, Flannels, Shirts, Mantles, Underclothing, Overalls, Umbrellas, Leather Bags, Corsets, Millinery, Hosiery, Silsesias, Shirts, Coloured Cotton Goods, Pants, Ladies' Underwear, Cardigans, Furniture, Brushes, General Hardware, Cutlery, Bedsteads, Wire Mattresses, Mats, Fats, etc.

¹ Through their Wholesales the English and Scotch co-operators own 3,386 acres in Ceylon.

Africa where it secures the palm oil needed in its soap works. Its buyers are in direct contact with the Greek growers and driers of fruit. It has at Denia, in the center of the Spanish raisin district, a packing house which employs six hundred persons in picking, packing and shipping fruit. It owns and operates the largest flour mills and the largest boot and shoe factories and textile mills in Great Britain. It is the largest single buyer of Canadian wheat and has recently purchased ten thousand acres of wheat land in Saskatchewan. It has its own ships operating between England and France. Each decade it tends to become more self-contained and to produce more and more of what it needs to supply the co-operators. It had in 1916, 28,818 employees and 1,189 retail societies held shares in it. Its resources in share capital, loans, reserve and insurance funds amounted to over \$64,000,000 and its net sales that year were \$253,838,159. The latest available figures show that for the first six months of 1917 its sales were over £29,000,000, a gain of $19\frac{3}{8}$ per cent over the corresponding period of the previous year, and its manufactures were £9,713,651, an increase of $27\frac{3}{8}$ per cent. The same half year's deposits and withdrawals in the banking department amounted to £164,590,551, an increase of $21\frac{7}{8}$ per cent.¹ The English Co-operative Wholesale is the largest food supply establishment in the world.

Almost equally striking is the history and growth of the companion society, The Scottish Wholesale. In many great undertakings these two societies co-operate. It

¹ In considering co-operative finances one should bear in mind the following point of view:

"The total capital investment in 1915 was \$236,014,375. Some years ago it was estimated by a writer for a British financial organ that if the British Co-operative Movement was put on the joint-stock market on a capitalistic basis it would sell for ten times the value placed on the assets in its balance sheets; that is to say, British workmen were escaping having to provide interest on nine-tenths of the load of capital usual in capitalistic business."—*The Canadian Co-operator*, April, 1917, page 14.

parallels the activities of the English Wholesale and, like it, has gone into banking and production. It has wheat elevators in Manitoba, fish curing works in Aberdeen (which not only cure fish and render cod liver oil but supply with fresh fish the retail stores all over Scotland, handling over 2,600 tons of fish annually), creameries and piggeries in Ireland, and at Shieldhall, Glasgow, a remarkable manufacturing center where more industrial operations are carried on within one common gateway than any other place in the world. The Shieldhall works employ nearly 4,000 men of a hundred different trades and occupations in sixteen different factories, and produce goods to the value of over £1,148,000 a year. The Scottish Wholesale operating for less territory than the English has less volume of trade, and yet, in 1916 its net sales were \$70,465,319 and the first six months of 1916 were £8,431,441, and their productive works produced £3,130,760 worth of goods, a gain of 44 per cent. Perhaps nothing impresses an American as more striking about this great business than the oft-cited fact that William Maxwell, who was for thirty years the president of the Scottish Wholesale, conducted its fifty-million-dollar-a-year business and never demanded a higher salary than \$38 a week. He is said to be only one of many who get their recompense not in private profit, but in public service.

Ireland decimated in population and impoverished has responded to the same magic touch. In 1889 Sir Horace Plunkett and Father T. A. Finley started a campaign for co-operation among the Irish farmers. This coincided with a revolution in the methods of buttermaking, and attention was centered in the butter industry. Sir Horace as a Unionist and Father Finley as a Jesuit were each suspected in different sections and it was difficult to get the movement under way. Over fifty meetings had to be held before the first co-operative creamery was started. There was only indifference at first, but soon societies began to be formed. In 1889 there was one society with butter sales of £4,363. By 1911 there were 934 societies with but-

ter sales of £1,908,314. Not only is butter made co-operatively, but seeds and feeds and fertilizers and agricultural implements are bought co-operatively and agricultural credit on the Raiffeisen plan has been widely adopted. In 1905 26 of the 32 counties had such banks. By January, 1913, there were 947 co-operative societies in Ireland with 103,000 members and an overturn of £3,200,000. Co-operative distribution, too, is developing. There is a large society in Belfast which started in 1889, struggled for years but in 1914 did a business of £400,000 and dealt in everything from milk to coal. In Lisbon, in County Antrim, there is a society with 1,450 members and a \$200,000 annual business. The County of Cook, Queenstown and Armagh also have successful societies.

Before turning to the continent it remains to state the present size, not alone of the wholesale societies, but of all the co-operative societies which form the offspring of the little Toad Lane store in Rochdale of 1844. The latest available figures are for the year 1914, and these show in the entire United Kingdom 3,699 societies with 3,504,456 members and as these are mainly the heads of families, it is estimated, counting five to each member, that a third of the population of Great Britain are co-operators. In some counties half the people are co-operators, and in others three-quarters. In great Leeds and little Kittery nearly the entire population is connected with the movement. There are 70 societies that have memberships of more than 10,000; that of Leeds has 63,000. The average membership of the societies is 2,200. The sales in 1914 were £147,550,084, and the profits £15,609,484. One realizes how much they have done for their members when he reads that since 1861 they have had net sales of £2,727,767,066 and made a net profit of £264,873,062, *which has been returned to the consumers.*

Fleets of steamers bring to the stores and homes of these British consumers what their own buyers have purchased "A state within a state" for them in America, Australia, Canada, Denmark, France, Germany, Greece, Turkey, Holland, Spain, India and Sweden. A great Co-operative

Union, "the conscience of the movement" carries on tireless educational and propaganda work. Great co-operative congresses convene at stated intervals. Widely circulated periodicals keep the co-operators in touch with every development of their mutual cause. It is indeed "one of the greatest accomplishments of the working class in the nineteenth century." It is as Lord Rosebery says "a state within a state" of ever increasing importance and power.

The British co-operative movement is an epitome of the world movement and the greatest achievement of co-operation. It will doubtless soon be surpassed in size by the growth in other lands, but the glory of the discoverers and pioneers must ever belong to Britain. To an unusual degree it represents the logical development of co-operation. It began in a small way and spread slowly, consolidating its territory as it grew. When it attained sufficient strength the different societies began to co-operate in wholesale buying as the individual members of each society co-operated in retail buying. When the wholesale was assured of a great and steady trade it entered the field of production, and began manufacturing or growing article after article. The fourth step came naturally and inevitably. Control of the supply of raw materials must be secured and it is at this point that the British co-operators are working today.

They are asking themselves if they are prepared for the great period of reconstruction that will follow the war. They are centering on two great efforts, the endeavor to make themselves powerful politically and the endeavor to secure control of raw materials, an endeavor which has led the great wholesales to obtain their concessions in Sierra Leone and Western Nigeria, to purchase great tracts of wheatlands in Saskatchewan and to move on to the col-leries, and to formulate a definite policy of getting at the land, the coal pits, the wheat fields, the oil centers.

The British movement also represents the adaptability of co-operation. Ireland was a land of different character and needed a different form of co-operation, so agricultural

co-operation was adopted from Denmark and France, and co-operative credit from Germany to meet the special needs.

One problem remains unsolved and it is the great unsolved problem of co-operative distribution. Shall there be a division of the profits of the factories of the wholesales wholly among the societies which constitute its membership, or shall the workers in those factories also share in the profits? The English Wholesale after decades of discussion and experimentation has adopted the first alternative, the Scottish Wholesale the second. The future must decide how the equitable adjustment can be made between the co-operative consumer and the co-operative producer.

The day does not seem far distant when co-operation will be the greatest single force in the kingdom. It is thoroughly organized and knows its power and has its ideas about social readjustments. It may be that the great period of reconstruction following the war will witness its ascendancy. Everywhere is the growing conviction that the people should control the people's business. The public utilities and great industries should not be run for the profit of the few. Yet, when we try with our present political machinery to take any of these over, we are often notoriously inefficient. Possibly, we have witnessed in co-operation, so far, only a period of apprenticeship and when the day of realization comes, we shall see that a great organization has been perfected in these early decades which can conduct business and industry efficiently, and that its only knowledge and purpose and care is to administer them by and for the people. "The state within a state" may conceivably become greater in power and democracy than the present political organization and the economic come to dominate the political because of its greater efficiency and truer democracy.

E. S. W.

CHAPTER XXI

EUROPE AND BEYOND: A STORY OF PEACEFUL CONQUEST (Continued)

Second only to the development of co-operation in Great Britain has been that in Germany. It has been assumed at times that it succeeded in Great Britain because of some peculiar fitness of the British character for this particular thing. But its rapid spread in many lands shows this reasoning faulty. Charles Gide, the great French authority on co-operation, says "one would not think a people like the Germans used to organization, coercive, state and militaristic, could succeed in one so free and spontaneous; but certain things inherent in the German character are specially fitted for it—the spirit of discipline which subordinates the individual interest to the general interest, the gregarious instinct which presses it to make a mass, an enormous capacity for distribution and the cult of organization—all make the German people especially good subjects for co-operation."¹ And history itself demonstrates the soundness of this conclusion. The first Rochdale co-operative store was started in Germany near Magdeburg in 1864, but it was not until the last years of the century that the co-operative store movement really was under way. It has grown even more rapidly than in England. One of the tables prepared by Charles Gide shows the comparison.

ENGLAND			GERMANY	
	No. of Thousands of Members	Sales by Millions of Francs	No. of Thousands of Members	Sales by Millions of Francs
1902	1709	1251	575	176
1914	3054	2200	1717	611
Gain	78%	76%	200%	247%

¹ Charles Gide: *Les Societes Co-operatives de Consommation*, page 38.

This shows that while the English societies were gaining three-fourths in both membership and sales the German societies tripled their membership and nearly quadrupled their sales. Still, however, the membership is only one-half of that of England and the sales only one-third, but now that the idea is firmly rooted it grows apace. The societies have been discouraged by official Germany. Officials and members of certain branches of public service were forbidden to become members until the war proved the value of the stores to the nation.¹ Yet, in face of the opposition some mighty organizations have arisen. Gide refers to the Hamburg society with 79,000 members, the Leipsig with 65,000 and the Breslau with more than 100,000, the largest society in the world. The latest issue of the *International Co-operative Bulletin*² shows that the Hamburg society at the end of 1916 had a membership of 99,000, gaining 15,500 during the year. And the Berlin society has reached 100,000 members, according to the *New York Evening Mail*.³ The sales of these societies are less than those of great English societies like that at Leeds, the average annual sales per member in Germany being 384 francs as against 730 francs in England, taking the figures of Gide, but this is due to the fact that the German stores sell mainly and usually only groceries, while the English stores sell almost everything and some people in England spend all their

¹ "In Germany and Austria it is a usual procedure to give members of the stores the choice of retiring from, or expulsion from, any senior military club to which they may belong. The authorities of the state railways have many times forced the railway employees to sever their connection with the store. The pretext for all these persecutions is the assertion that the retail stores are serving the ends of the Social Democratic party, to which no well-affected man and no true patriot could belong."—Dr. Hans Müller: *The Co-operative Movement Abroad*, 1908.

² August, 1917. Most of the statistics in this chapter not otherwise credited are from the *International Co-operative Bulletin* or in a few instances from other co-operative periodicals.

³ Quoted in the *Co-operative Consumer*, December, 1915.

wages and supply all their wants in their co-operative stores. But the German societies are beginning to enter the field of production, many of the stores having their own bakeries and bottling works and some having corn mills. The Berlin store has 125 branch stores, and the Munich one had, in 1910, 27 branches, while the Hamburg society has 205 stores, a coal depot and 23 shops for the sale of the bones and ribs of animals. The Hamburg society not only has a butchery and bakery and corn mill, a confectionery and a coffee roasting department, a mineral waters bottling department,—but also a building department with 907 dwellings. The German Co-operative Wholesale located at Hamburg is the largest in the world outside of those of England and Scotland, and in 1915 it did a business of \$38,000,000.

This is what Germany has done with a distinctly British organization which we see in a less developed state there, but probably destined to surpass its development in its motherland. But Germany itself has originated and developed one of the most important of all co-operative enterprises, co-operative credit. In 1849 Friedrich Wilhelm Raiffeisen started a loan bank for the peasants the members of which were rich philanthropists. In 1862 he founded another in which the borrowing farmers were the members, founding it on the idea that those hopelessly indebted people might combine to borrow money on their joint responsibility, and then lend it out among themselves for a slightly increased interest. This succeeded and others were started but it was not until 1880 that they began to multiply. Each is limited to a small area, is an association of neighbors all of whom know each other. The purpose of every loan must be stated and approved and no securities are required, but loans are made only to members.¹ They boast that neither

Co-operative
credit in Ger-
many—The
Raiffeisen
banks

¹ The member of the Raiffeisen bank, though he have the best of pledges, is rejected unless he is known in his private life to be virtuous and industrious. The man of doubtful sobriety has no chance of obtaining anything from a country bank. Fay: *Co-operation at Home and Abroad*, page 45.

member nor creditor has ever lost a cent by them.¹ There are 16,000 of these Raiffeisen banks or co-operative credit societies in Germany (16,927, January 1, 1913) with a combined capital of \$650,000,000 and deposits of \$570,000,000. They have wrought untold good in improving the condition of the German agricultural classes.²

¹ "Raiffeisen always kept the moral aspect very prominently before him. He was himself an earnest Christian, and he insisted that all the members of his institutions should profess the Christian virtues. In his propaganda he used to the full the one intelligent power in rural districts, the parish priest or pastor. With their help he developed a new parochial life around the village bank. With their help he touched in the peasant the chord of neighborly affection and stirred him to give it practical effect." Fay: *Co-operation at Home and Abroad*, page 42.

² A Raiffeisen bank is never what a Schulze-Delitzsch bank sometimes is; a handsome building with barred windows, within which are a number of clerks discharging a constant round of business while the directors interview special clients in a room apart. It is a small room, probably at the back of a farm building, opened twice a week and presided over by a single occupant—the accountant. Business is apt to proceed desultorily; a small child brings in a few savings; an hour afterwards a palsied old man, signing by a cross, draws out a couple of pounds, and so on to the end of the day. But this is the unimportant part of the business. The really important part is the weekly meeting of the board of directors, half a dozen in number, who meet to discuss the various credit claims which have arisen. They are unpaid as by the nature of their work they can afford to be.

The inculcation of punctuality in payment, as a moral duty, was the hardest of Raiffeisen's tasks, as it was his greatest triumph. Raiffeisen created out of hopeless chaos the only kind of credit organization possible for the small agriculturalist. To-day more than 50 per cent of the independent agriculturalists of Germany are members of rural banks; and another 10 per cent, chiefly the larger farmers, are members of town banks. The non-co-operative agriculturalist is becoming the exception.

The change wrought in many of these villages is nothing short of a revolution. The experience of the parent village bank may serve as an illustration:—

"About an hour's walk from Neuwied on the Rhine is situated on a plateau bordering the Westerwald the little village of Anhausen. The

Franz Hermann Schulze started in 1850 at Delitzsch the first Schulze-Delitzsch bank, another form of co-operative credit and one which preceded the Raiffeisen. These banks, serving the industrial classes, stimulate them to take out shares and pay for them in small installments. They loan only to members, require security and loan only for short periods, are not limited in territory and are very different from the Raiffeisen banks and not so strictly co-operative, though classed as such. They too have been greatly beneficent. There were 985 of these in Germany, January 1, 1912. The year before they had loaned \$1,053,848,000, an average of a million dollars per society. These two co-operative credit societies are Germany's original contribution to co-operation.¹ Strong national unions of these banks greatly strengthen their power.

district is not very fertile and the inhabitants are mostly small peasant proprietors, some with only sufficient land to graze a single ox or cow. An owner of ten acres is a rich man. Before the year 1862 the village presented a sorry aspect; rickety buildings, untidy yards, in rainy weather running with filth, never a sight of a decently piled manure heap; the inhabitants themselves ragged and immoral; drunkenness and quarrelling universal. Houses and oxen belonged with a few exceptions to Jewish dealers. Agricultural implements were scanty and dilapidated; and badly worked fields brought in poor returns. The villagers had lost hope and confidence, they were the serfs of dealers and usurers. To-day Anhausen is a clean and friendly-looking village, the buildings well kept, the farmyards clean even on work days; there are orderly manure heaps on every farm. The inhabitants are well if simply clothed, and their manners are reputable. They own the cattle in their stalls. They are out of debt to dealers and usurers. Modern implements are used by nearly every farmer, the value of the farms has risen and the fields, carefully and thoroughly cultivated, yield large crops." And the change, which is something more than statistics can express, is the work of a simple Raiffeisen bank. Fay: *Co-operation at Home and Abroad*, pages 47-50.

Inserted quotation is from A. Wuttig's *F. W. Raiffeisen*, page 71.

¹ See article in *Encyclopedia Britannica* on "Co-operation." Also the careful study in Part I of Fay's *Co-operation at Home and Abroad*.

The extent of her co-operative forces were summarized by U. S. Consul General A. M. Thackara in 1912 when he reported 30,000 co-operative societies in Germany many with five million members, or, to be exact, 31,981 co-operative societies of all kinds with a yearly turnover of \$6,188,000,000 and employing outside capital of \$1,029,707,000. How these were divided and how they were growing is shown in his compilation.

	1905	1910	1911
Credit Societies.....	15,108	17,493	18,126
Dairy and Milk Vending Societies.....	2,826	3,230	3,303
Other Agricultural, Purchasing and Selling Societies ¹	2,415	3,029	3,151
Co-operative Stores.....	1,922	2,311	2,355
Other Industrial, Purchasing and Selling Societies.....	561	937	1,017
Building Societies.....	641	1,056	1,167

The next country in co-operative development has only recently manifested her particular aptitude. This is Russia. Probably no people have been so trained in co-operative association. Since the dawn of history the Russian workers have associated themselves together in *artels* which are purely co-operative working or living associations. Russia is a network of *artels* and such association is almost instinctive with the Russians. Likewise they have held their lands in the *mir* in a community of ownership and occupation. If any nation was prepared for co-operation it was such a people.² It was 1865 when

¹ Corn-selling societies are Germany's peculiar contribution to agriculture. Out of her rural co-operation banks first grew supply societies for the co-operative purchase of farm necessities, then different forms of co-operative agricultural production like dairies and vintries. Since 1895 the corn societies have established with government aid co-operative corn houses or elevators. The potato growers here likewise established co-operative distilleries and spirit warehouses. Fay: *Co-operation at Home and Abroad*, Part II, Chapter II.

² "Data on Russian Co-operation" is taken from an article on *Growth of Russian Co-operative Societies in Commerce Reports*, March 1,

the first distinctly modern co-operative society was sanctioned by the government and for forty years progress was slow. Since 1905 when the failure of the revolution turned the live forces of the nation from political to economic expression, it has had a phenomenal growth. It was purely idealistic at first, more of a cultural moving than an economic development. It had been a movement of the intellectuals for the people until 1905 when the people took it up for themselves and did their own organizing. In 1905 there were 1,905 co-operative organizations in Russia. The gain since then is shown in the following table:

	1914	1915	1916	1917
Credit, Loan and Savings Societies	12,751	14,350	15,450	16,057
Consumers' Societies	10,080	10,900	15,203	20,000
Agricultural Co-operative Societies and Associations	5,000	5,200	5,500	6,000
Artels of Kustari and Creameries	3,000	3,300	3,600	4,000
	30,831	33,750	39,753	46,057

The membership was about nine million in 1914 and by January, 1917, it had risen to over thirteen million, representing with the families one-third of the entire population. The utter disorganization of industry caused by the war forced the population to build up co-operative organizations. The Moscow Union of Consumers' Societies, which started in 1898 with 18 societies, had 258 societies in 1908, in 1914, 1,260 societies and a turnover of five million dollars annually. Its membership is over 65,000. The turnover of all the consumers' societies had reached \$150,000,000 in 1913. The Moscow Union or the Wholesale increased its membership to 1,737 societies in January, 1916, and to 2,885 by September of the same year and 3,000 by the end of the year. Its turnover rose from the five million dollars of 1914

1917, issued by U. S. Department of Commerce, and articles in *The Russian Co-operator* for January and August, 1917, and in various numbers of *The International Co-operative Bulletin*. See also *The Co-operative Movement in Russia*, by J. V. Bubnoff, Manchester, 1917.

to 11½ millions in 1915 and 45 millions for 1916. It has become one of the greatest business enterprises in Russia, the largest importer of coffee and rice. To-day co-operation is known to everybody in Russia,¹ it is recognized and supported by everybody, people and government look to it for the rebuilding of the nation. Great national enterprises are entrusted to it. Next to the soldiers' and workmen's councils, the co-operative societies elected the largest representation to the assembly, since dissolved, to form the new constitution. Russia's revolution is industrial as well as political and it promises to become the great co-operative commonwealth. In numbers, both absolute and relative, it has overtaken the western countries. Its budget—that of all the co-operative societies—exceeds the budget of all Russian towns, Zemstvos and industrial organizations and is less than only the State budget.²

¹ Co-operative societies exist among the various peoples inhabiting Russia: the Armenians, the Georgians, Tartars, Kirghese, etc. Many co-operative enterprises have telephone installations, electric light, the central electric station serving several villages. In some districts they build roads. There are also societies owning and working coal mines. *The Co-operative Movement in Russia*, J. V. Bubnoff, pages 122, 150.

² "The great co-operative organizations of Russia are absolutely democratic. They existed before the revolution. They will exist when the flames of the revolution have died down. They do not merely organize. They do not hold all-night meetings and engage in complex theoretical disputes. They do not denounce and declaim and defy and demonstrate. They do not interfere in other people's business. They hardly ever touch politics. They simply work, and through their work they have laid the basis of a new life in the Russian villages. In Central Russia and Siberia, in the south and in the east, the provinces are studded with co-operative societies, and these societies are linked up in powerful unions, which have their centre and bank in Moscow.

"In no country has co-operation been so directly and rapidly successful as in Russia. It has created a new type of enlightened and progressive peasant. It is the one solid instance of democratic achievement in Russia."—Harold Williams in *New York Times*, Oct. 6, 1917.

France led the way in co-operative production and is regarded as pre-eminently the land of co-operative production. Under the inspiration of Louis Blanc a number of self-governing workshops started in 1848. There were 140 of these in 1896 and by 1910 they had multiplied twice and thrice in number and were increasing rapidly. They were doing over \$10,000,000 annual business. They are combinations of workmen carrying on their own industries, with their own capital or that of their trades unions. They engage in many lines of manufacturing. Co-operative production is the great contribution of France. But her agricultural co-operation is still more important. The Syndicats Agricoles are combinations of farmers largely for purchasing fertilizers and farm requisites. They date only from 1893 but they number thousands with hundreds of thousands of members. Out of them have grown other co-operative associations, two thousand agricultural banks, besides butter factories, oil pressing, wine making and threshing societies, two thousand Gruyère cheese making societies and 8,000 mutual insurance companies.¹

The co-operative store movement has had a slower growth in France. The first one started in 1855 and by 1883 there were one hundred. The bourgeoisie group organized apart from the Socialistic. There were two separate wholesales in Paris and these two movements were united under the influence of Belgian and British co-operators just before the war broke out. Gide reports for 1914 3,261 co-operative distributive societies in France with 881,000 members and sales of 321 million francs. The tendency in France has not been towards fewer and larger societies as in England but towards more and smaller societies. The tables compiled by Gide in his *Les Sociétés Co-opératives de Consommation* show this.

¹ See *Encyclopedia Britannica*, article on "Co-operation."

GREAT BRITAIN

	<i>No. of Societies</i>	<i>No. of Members</i>	<i>Number per Society</i>
1862	331	89,000	269
1872	930	324,000	348
1882	1,043	598,000	573
1892	1,420	1,127,000	794
1902	1,476	1,803,000	1,215
1912	1,399	2,750,000	1,970
1914	1,385	3,054,000	2,205

Since 1902 the societies have decreased in number but the number of members has risen by two-thirds. Since 1892 there are thirty-five less societies while the number of members has tripled.

FRANCE

	<i>No. of Societies</i>	<i>No. of Members</i>	<i>Number per Society</i>
1900	939	375,000	400
1907	2,214	705,000	318
1914	3,156	876,000	278

The number of societies has tripled since 1900 but the average membership has decreased one-third. The Anglo-Saxon tendency is to amalgamate and the French tendency the opposite. France has more small societies with a much smaller overturn, as one-third of them are bakeries and most of the stores sell only groceries.

The invaded portion of France is especially strong in co-operative societies, so the great war is necessarily harming **Effect of the** that part of French co-operation but, as else- **Great War** where, the movement as a whole has gained from the war. The co-operators of Paris, at the request of the government, have taken over the frozen meat trade. The French-Swiss society, "Maggi," had 900 shops in Paris where milk, butter and eggs were sold. These were all completely demolished by hooligans on the outbreak of the war who were spurred on by its rivals to believe it a German concern. The co-operators re-established these shops and have been keeping the price of milk down. In numbers of French

towns where there were no co-operative societies the inhabitants, sometimes with the help of the municipality, have formed leagues to fight against exploitation by the local dealers and have thus begun co-operative purchasing. Co-operative stores or bakeries are being formed at the front.

The genius of each nation has given to the practice of co-operation new forms and new directions. Belgium has an interesting and unique development. The first Belgium experiment there with Rochdale co-operation failed. Later Edouarde Anseele, the son of a poor shoemaker, started a modified form under which the dividends were not returned but used to form a fund for social activities for the members. The co-operative bakery he started in the early eighties in Ghent has grown into a mighty institution which includes three bakeries with an output of 110,000 loaves a week, a large department store, 21 groceries, 5 clothing and 6 shoe stores, a large brewery, one of the largest printing establishments in Belgium, a coal depot and a chain of drug stores. The many cultural and social benefits that flow from this society, the Vooruit and its great Maison du Peuple, have already been recounted in Chapter X. Brussels has a like society equally large. The Catholic Church opposed the movement because of its socialistic affiliations and began organizing other co-operative societies and as a result co-operation in Belgium is mainly Catholic in the country and socialist in the towns.¹ B. Seebohm Rowntree published the results of four years' studies of this remarkable co-operative development in agriculture and industry in his *Land and Labour*. He enumerates among others in 1910 382 co-operative societies for improving the breed of cattle, 344 for that of goats, 24 for that of rabbits, 9 for that of pigs; he found 252 societies of beekeepers, 184 of horticulturists, 85 of poultry-keepers, 39 of hopgrowers, 77 of beetroot cultivators; 497 co-operative dairies with 52,380

¹ "There are three sharply-defined branches of Belgian co-operation:—The Socialist associations of consumers; the Catholic associations of agriculturists; the Neutral middle class associations of town banks." Fay: *Co-operation at Home and Abroad*, 67.

members and owning a fifth of all the cows in the kingdom, and in 1907 1,600 societies for the insurance of live stock, and all this in a population of less than a million agriculturalists. There is hardly a Belgian village without its co-operative society and hardly a society that does not contain a majority of the men eligible for membership and these societies are federated provincially and nationally. The largest of these provincial federations had a few years ago a membership of 40,000 and in one year bought for its members \$1,600,000 of manures, 100 tons of seeds, \$25,000 worth of machinery, managed 70 co-operative dairies, a number of flour mills and did banking through 300 credit associations of the Raiffeisen type.¹

The best of recent figures shows 205 distributive societies in 1914 with 170,000 members. The war has not obliterated co-operation even in the invaded land. The great "Voorhuit" in Ghent gained 1,400 members in the first year of the war and opened its 26th branch store and had an overturn of 5,688,000 francs. The Belgian refugees started in one of the detention camps in Holland a co-operative society and in Brussels a great "Co-operative Store for the Inhabitants of Brussels and District" has been established for the duration of the war with a capital of four million francs to supply the populace with necessities.

Democratic Switzerland is one of the banner lands on the co-operative map. At least one-fourth of the Swiss people are in the movement. The Union of Swiss Distributing Societies had 421 affiliated societies in 1916 and its overturn for that year was 74,658,781 francs, a 48% gain over the previous year. It has many ramifications, like its control of the Swiss meat trust,² its society for exporting cheese and its society for importing eggs, its corn mills, its boot and shoe factory, banking and insurance departments and estates for agricultural production. The affil-

¹ See article on "Imperishable Belgium" by Bruno Lasker in the *Survey*, Dec. 5, 1914.

² See Chapter X.

iated societies have a trade of from 150 to 160 million francs a year. There are 5 societies of over 10,000 members. The Lucerne Society has almost 12,000 members, the Berne Society 13,000 members, the Zurich Union has 34 societies as members and the wonderful Basle District Society has 37,000 members, which counting the families, means almost the total population of the district. It employs 1,141 persons. Swiss agriculture is saturated with co-operation. Most interesting, too, is the fact that the University of Zurich has special lectures on co-operation and plans for the education of managers and officials of co-operative societies. In the decade following 1904 the movement tripled its effects and quadrupled its sales in Switzerland, and welded together the purchasing power of 250,000 families.

Denmark and Ireland are the two lands which owe their rebirth to another form of co-operation. Co-operation started in 1866 in Denmark, when that country was faced with ruin after its destructive war with Prussia, but it was not until 1882 that the idea was applied to the dairy business. The idea spread throughout rural Denmark and federated the dairies into a great and effective enterprise that captured the English markets for its products. For the first decade and a half of its history but ten new societies a year were organized, but the added momentum of later years gave Denmark 1,562 societies by 1914. As these are mainly rural their average membership is but 150, but a quarter of a million members in a country of about three million people means a country where co-operation has become a factor in the lives of well-nigh a majority of the people. The Danes by the wonderful organization of their co-operative dairies sell England five times the butter France does and export it to the most remote lands. In the first twenty years after the first co-operative dairy was started the Danish butter trade increased nine-fold. Co-operative egg societies,¹ which in-

Denmark and
agricultural
co-operation

¹ Every farmer has every egg marked with his number and he is punished for sending stale or dirty eggs to market. The eggs are sorted as to weight and their freshness guaranteed.

cidentally improve the strains of poultry, co-operative manure societies for the common purchase of fertilizers, co-operative slaughter houses, which killed two million pigs in 1913,¹ co-operative feeding-stuff societies, co-operative timber societies and hundreds of co-operative farms, are some of the developments. The Danish wholesale with various branches does its own coffee roasting, has a chocolate factory, a rope factory, a soap and chemical one, a margarine one, a stocking factory, a cartwheel factory, a ladies' and gentlemen's clothing factory and a cement factory which it established to fight a cement trust. A co-operative coal society has five depots and a co-operative bank started after the war began had a turnover of thirty million francs in its first three months and in 1913 opened five branches. A thousand of the co-operative societies with almost two hundred thousand members maintain a co-operative sanatorium. The development of co-operative distribution in the Danish cities has come later, starting only with the century, but 92 societies were in existence in August, 1917, and a federation had been formed. Modern Denmark is in large measure a product of co-operation. It is a co-operative nation.

Sweden felt the impulse of the British success early and in the late sixties a large number of societies were started.

Sweden Many were unsuccessful but in 1899 a union was formed and a wholesale was started unsuccessfully in 1901, but successfully established three years later. By 1915 Sweden had over seven hundred co-operative societies with 185,000 members. The movement reversed the Danish history and began among the industrial workers, spreading later to the agriculturalists. The story of the successful struggles with the great Swedish trusts has been told in another chapter. It is one of the illuminating and pro-

¹ The first co-operative bacon factory was started in 1888 and 23,400 pigs were killed. In 1906 1,051,358 were killed. The large increase in so short a time was entirely due to the system of co-operation which spread like a network all over the country. T. O'Donnell: *A Trip to Denmark*.

phetic episodes of co-operative history. The yearly turnover of the societies was forty million crowns in 1914 and a public investigation recently made showed that prices had increased least where the co-operative idea had a foothold.

Norway had a union of 206 societies in 1916 and these had a tobacco factory, a margarine factory and a coffee roasting plant and were considering establishing a pension fund, a banking department and a fire insurance society. There was also a union of 789 co-operative agricultural societies which supplied fertilizers and fodder, seeds and farm machinery to their members. They had a seed cleaning department and a mill and machinery department. A co-operative wholesale, co-operative bakery, co-operative sausage factory and co-operative butter factory are reported. The Christiania society runs fourteen groceries and three dairies.

Holland has both distributive and agricultural co-operation well developed. One hundred and thirty-five distributive societies with 108,000 members have a strong wholesale with a banking department and a complete system of co-operative education and a turnover in 1916 by the wholesale of 6¼ million florins. It is a strong, substantial, growing movement.

Step by step the development of co-operative history has shown wider possibilities in its application. Distributive co-operation makes the consumer his own merchant and eliminates the profiteers in the form of retailers and wholesalers and middlemen and ultimately the manufacturers. Productive co-operation attacks the middleman from the other direction and makes the laborer his own employer and his own capitalist. Agricultural co-operation, which is a form of productive co-operation, makes the farmer his own shipper and commission merchant and the manufacturer in dairies and creameries and cheese factories, of his own raw materials. The agricultural co-operation which consists in the co-operative buying of fertilizers and farm machinery is a form of distributive co-operation. Co-operative credit makes the

A unique
form of co-
operation

borrower his own banker and eliminates most of the profits that go to alien capital. It remained for Italy to develop yet another form of co-operation and reverse the usual procedure whereby capital hires labor. Labor engaged in public works, which are not marketable commodities, had not been able to co-operate as such under any of the other forms of co-operation. But Italy showed how labor in these fields might co-operatively hire capital and engineering skill and even management.

This unique contribution to co-operation Italy made in the co-operative labor group, the "Societa di Lavoro."

Italy and co-operative labor societies These workmen's co-operative societies are contractors for their own labor and undertake large public and private contracts such as the building of railways, roads and canals. To these societies of braccianti (navvies), muratori (masons and bricklayers) stivatori (stevedores) and other laborers, or co-operative work societies, the workingmen do not subscribe much capital but give their work and with this and the strong social feeling that holds them together they reclaim marsh lands, construct irrigation works and all kinds of public works. The Italian government, after its conquest of Tripoli, turned to these societies for the opening up of that land by the building of roads and railroads and necessary public works. Among these co-operative laborers' associations and associations of builders which are to be found mainly in northern Italy are societies of bricklayers, stone-masons, artisans and laborers, porters, shiploaders and others who undertake contracts, hire their engineers, buy their materials, and have their own banks. But all forms of co-operation have taken root in Italy. In 1915 there were 7,996 co-operative societies of which 2,283 were distributive, 1,317 agricultural, 2,086 the work societies just described, and 106 co-operative fishing societies. Of the 5,036 that reported, the trade was almost £26,000,000. The societies had numbered but 5,064 in 1910. The Italian wholesale had sales of £2,450,000 in 1913 and £3,240,000 in 1916. The large Co-operative Union in Milan had sales in 1916 of

almost 24 million lire as against 15 million in 1915. Co-operative building and co-operative insurance societies are common and in Lombardy, Sicily and Emilia there are collective farming societies. These last manufacture their own fertilizers and have their mutual banks and farms and market gardens.

Spain represents a less developed stage of the movement. The first societies started about 1860, the industrial province of Catalonia taking the lead, but the growth has been slow. The Spanish government has encouraged the formation of societies, but the individualistic spirit of the people and their lack of education have delayed the development. But there were 931 societies known in 1914 and their membership was estimated to be about 570,000 and their trade about forty-five million dollars and the movement is beginning to be important. Obviously not included in the above is the important Society Flor de Mayo (Mayflower) in Barcelona which has a million members, owns five buildings and has its own farm with accommodations for sixty families. Like the Belgian societies this keeps part of the dividends for social work, schools, old age pensions, etc.

Austria was among the last of the great European countries to develop co-operation. It began in 1867 but little was accomplished until after 1890 and it was not until the opposition of the active lower middle class aroused the workers that the movement, about the beginning of the century, made rapid progress. The Central Union of Austrian Distributive Societies was established in 1902 and the Wholesale in 1905, but the period was one of over-development and a reaction followed during the economic crisis which came during the Balkan Wars. There were 19,296 co-operative societies in Austria in 1915, three-fifths of which were credit societies. The union of distributive societies had 476 societies affiliated in 1916 with over 300,000 members. The powerful Vienna distributive society had a membership in 1915 of 50,000 members and a trade of 24 million crowns. The war has seen the formation of the great Victualling Union of War

Workers established in 1916, a vast co-operative society of the employees of various industrial enterprises, and the Wholesale of the Austrian Distributive Societies. This includes 400 industrial establishments with 200,000 members and the distributive societies and union provide for 575,000 people in Vienna co-operatively—one-fourth of the population or, with the soldiers away, one-third of it. There is a like organization in Bohemia and in Lower Austria a million war workers are drawing supplies from the distributive co-operative societies.

Hungary had 8,189 co-operative societies at the end of 1913, 230 of which were in Buda-Pest and 1,169 in Croatia Hungary and Slavonia. These were largely cattle insurance societies, credit societies and distributive societies. The Hungarian Wholesale Society, Hangya, is the sixth largest wholesale and in 1913 it had a turnover of \$8,000,000. Hungary has 1,386 affiliated co-operative distributive societies. The number of consumers affiliated was 952,775 in 1915 and 1,649,381 in 1916, a 70% gain. Eighty-two new societies were formed in 1916. The turnover in 1914 was thirty million crowns, in 1915 forty-six million, in 1916 fifty-seven and a half million. The Hungarian Railway Employees have a strong distributive union which at the end of 1916 had 48,768 members and almost doubled in that year the trade of the previous year and is planning to erect a bakery, a soap and an ice factory.

The effect of the war can be traced in most of the paragraphs of this chapter. The era of high prices has compelled the effect of the war pelled thrift and forced people to co-operate. The logic of co-operation is well-nigh universally admitted, almost without argument, but inertia and lack of initiative and easy-going thriftlessness do not lend themselves to the task of organization and education in days of prosperity. But the spirit of necessity accomplishes miracles. The Great War marks an epoch of great and rapid development for co-operation.

Finland started in 1889 her first society but the next decade saw hardly a dozen in all. The founding in 1895 of the

Society Pellervo, the Society for the Propagation of Rural Co-operation in Finland, gave a great impetus and by 1915, with its 2,300 societies for a population of Finland ~ three million, a society for every fourteen hundred inhabitants, Finland had become the fourth largest co-operative land. Switzerland has one co-operative society for every 500 inhabitants, Denmark one for every 600 and Sweden one for every 1,100. The turnover of the Finnish societies in 1914 was £2,500,000. There are 490 stores with 130,000 members, the largest of which is in Helsingfors and has 12,500 members. The Finnish Wholesale has just purchased a large estate on which to erect its future factories. It already owns match and broom factories, a box factory and one for preserving berries. This unusual estate not only has the land to raise the agricultural products for the Wholesale, but has a waterfall to supply the power for the factories.

Poland established a society as early as 1869, but it was not until after the Russian Revolution in 1905 that the people turned to co-operation. Then there were Poland ~ 285 societies affiliated with the Union of Distributive Societies in Warsaw and 259 not affiliated. By the end of 1913 the peasants had founded a thousand distributive societies and in the face of the war this war-swept land had at the end of 1916 1,500 societies with a membership exceeding 120,000. And in addition there are co-operative agricultural societies, co-operative dairy and butter societies, co-operative credit and production societies and the idea has spread remarkably.

The Balkan States have been swept into the mighty current. In December, 1913, Roumania had 3,000 co-operative societies with a membership of 450,000. Every Balkan States thirteenth Roumanian was a co-operator. Roumania organized its first co-operative credit society in 1891. By 1900 it had but 44. In 1909 these had increased to 2,410 societies and in 1911 to 2,750. The membership grew from 59,618 in 1902 to 510,118 in 1911 and 90 per cent of this membership were peasants, 3,823 were priests, 4,801 school-

masters and 9,253 small tradesmen. More than 250,000 members could neither read or write.¹ Two hundred and ten of the Roumanian societies were distributive, 18 were bakeries and 378 were collective farms, the latter forming a characteristic feature of Roumanian co-operation. These figures are for 1911. In 1912 the co-operative Farm Tenancy Societies and the Foresters' Associations, in which form of co-operation Roumania may be said to lead the world, had increased to 487. These had 65,000 members and rented 369,922 hectares of land. Tenant farmers have stood between the landowners and the agricultural laborers but this new development is eliminating these middlemen. In Serbia there were 1,200 societies. A majority of these societies were credit and agricultural societies, but Serbia had 100 Rochdale societies² and Roumania had a few co-operative bakeries. Serbia was about to create a school to teach co-operation when the war broke out.

Greece is just beginning her co-operative history. In January, 1917, Greece had 87 co-operative societies, of **Greece** which 61 were credit societies and 18 agricultural; of the latter 11 being currant societies, one an olive oil society and four societies of vintners.

The Island of Cyprus established a co-operative credit **Cyprus** society in 1899 in the capital and soon there were like societies in all the towns and in fifty of the villages.

The Turkish government in 1914 sent a students' Commission to Roumania, Hungary and Bulgaria to study the **Turkey** co-operative movement in those countries as leading opinion realized the need, in furthering economic life, of credit, distributive and sale societies. As a result of the report of this commission, the government undertook to draft a co-operative law whose enactment is assured.

¹ Co-operation—Comparative Studies. H. S. Crosthwaite (*A Study of Co-operation in India*).

"Le Mouvement Co-opératif en Roumaine," by Dr. J. N. Angelescu. Quoted in *Bulletin of Co-operative Reference Library*, Dublin, for Feb., 1915.

² H. J. May: *The International Co-operative Alliance and the War*.

Thus has the movement spread across Europe from end to end, from west to east and from north to south. It has flourished under different forms of government and among the most diverse peoples and cultures. Each land has made its own contribution. England originated and developed co-operative distribution, Germany co-operative credit, France and Belgium co-operative production, Denmark and Ireland co-operative agriculture, Italy co-operative labor. But in every case the adoption of one form of co-operation has led in time to the adoption of the other forms.

The best available statistical summary of the movement in Europe is to be found in the third edition of Prof. Charles Gide's book, *Les Sociétés Co-opératives de Consommation*, bearing the date of 1917. Prof. Gide has compiled these figures from the co-operative journals of various lands. The third column is the number of co-operators multiplied by four as each represents a family, there being one member per family. These are the figures for distributive co-operative societies alone and do not include other forms of co-operation. They represent the year 1914, since which time there has been a remarkable growth.

Prof. Gide says that in practically every land the war has seen an increase in the membership of co-operative societies, belligerent and neutral, an increase notable everywhere but enormous in Russia and Denmark. He adds that if to his table be added the Balkan States, Portugal, the United States, Canada, Japan, the Cape,¹ India and the West Indies, there would be 30,000 more societies with ten million members, each representing a family, and with sales of five milliards of francs. This means that a population of from forty to fifty millions of people are actively interested in distributive co-operation and these figures do not include building and loan, agricultural, credit and productive co-operative soci-

¹ Report of Select Committee on Co-operation in Cape of Good Hope issued in 1907 contains 522 pages.

eties and there are more than ten thousand of the first in the United States alone, at least twenty thousand of the second in the world, 50,000 to 60,000 of the third and 30,000 largely creameries, of the last. These colossal figures give some idea of the vast extent of the movement and the rapid growth of the Co-operative Commonwealth.

DISTRIBUTIVE SOCIETIES 1914

<i>Land</i>	<i>Number of Societies</i>	<i>Number of Members by Thousands</i>	<i>Number of Co-operators in Each Thousand Inhabitants</i>	<i>Sales in Millions of Francs</i>
British Isles.....	1,385	3,054	264	2,200
Germany.....	2,375	2,000?	121	700?
Russia.....	13,000	1,500	34	800
France.....	3,261	881	90	321
Austria.....	1,471	500?	70	180?
Italy.....	2,283	450?	51	170?
Switzerland .. .	396	276	290	144
Denmark.....	1,560	250	350	150
Hungary.....	1,750	200?	40	80?
Belgium.....	205	170	90	48
Sweden.....	608	153	108	61
Holland.....	135	108	72	26
Finland.....	512	100	120	63
Poland.....	950	96	33	42
Spain.....	200	40	30	16?
Norway.....	172	39	42	23

Another of Prof. Gide's tables is of interest. The average purchases per member in francs per year is—

England.....	730
Finland.....	630
Denmark.....	600
Switzerland.....	522
Germany.....	384
France .. .	365

There are twenty-four wholesales scattered all over Europe. Five of these have an annual business of over

\$40,000,000. The trade done by the wholesale societies in 1916 was:

	1916	1915	Increase per cent over 1915
C. W. S. Manchester	£52,230,074	£43,101,747	21 1/2
S. C. W. S. Glasgow . . .	£14,499,037	£11,363,075	27.6
F. O. B. Copenhagen . . .	1,082,700,000 crs.	868,600,000 crs.	24.8
V. S. K. Basle	74,658,943 frcs.	50,193,161 frcs.	48.75
G. E. G. Vienna	50,092,772 crs.	28,928,296 crs.	73.16
S. O. K. Helsingfors . . .	72,160,139 Fin. mks.	35,098,521 Fin. mks.	105.6
Handelskamer Rotterdam .	8,977,305 flrs.	6,236,095 flrs.	44
K. F. Stockholm	22,013,232 crs.	16,497,640 crs.	29.92
N. K. L. Christiania	6,021,135 crs.	4,457,880 crs.	35.1
C. I. Milan	3,240,000 lire	2,450,000 lire	32.20
G. E. G. Hamburg	133,896,014 marks	152,858,636 marks	12.41 (decrease)
S. P. O. Moscow	87,000,000 roubles	22,000,000 roubles	266.22

The Rochdale seed has proved to be adapted with slight modifications to all lands. In most European countries the movement has doubled every ten years. It is now passing in some lands from a large minority movement to the enlistment of a majority of the total population. In many sections it is a majority. Prof. James Ford of Harvard estimated in a speech in 1917 that there were 10,000,000 stockholders in co-operative associations, 3,000,000 of whom own stock in distributive associations in Great Britain and seven million in like associations on the continent.

The great International Co-operative Alliance which is the federation of the national groups, has twenty-four national units and is the largest of all non-official world federations and according to John Graham Brooks in *The New Republic*, this represents 130,000 societies with 20,000,000 family members who in turn represent three or four times that number of people. The Alliance is supported by subscriptions from the following lands named in the order of the size of those subscriptions; Great Britain, Germany, Austria, Switzerland, France, Hungary, Belgium, Finland, Denmark, Russia, Italy, Holland, Sweden, Norway, Roumania, Serbia, India, United States, Spain, Canada, Argentina, Cyprus, Japan and Bulgaria.

No account of the movement would be complete that failed to record its extension beyond Europe. Asia promises to be the field of its next triumphs if America remains

blind and indifferent, or at most lukewarm to this master builder. The Russian movement is creeping into Siberia.

Siberia A Siberian Union of Butter Making Artels was formed in 1908 and has 550 separate organizations and an annual business of eight million dollars. More than half of all Siberian butter is made by the co-operative associations. And co-operating associations for purchasing farm implements and machinery and for selling produce are multiplying, and co-operative elevators and flour mills are beginning to be built. The union of butter artels exported 8,000 tons of butter in a recent year to England, Germany and other countries. It has its own selling company in London with branches in Berlin, Hamburg, Copenhagen, etc. In all Western Siberia there are 2,550 co-operative creameries. The vast organization of the Siberian Union stretches 1,500 miles in Siberian territory on both sides of the railway line. It is managed on thoroughly democratic lines.

The Indian government made extensive studies in Europe of co-operation, passed necessary laws and started a movement for co-operative credit to provide capital for agriculture. It was a governmental and not in its inception a popular movement, but it has laid hold of the imagination of the people. The *Blue Book* for June, 1916, shows 18,000 agricultural societies with 700,000 members and 1,000 non-agricultural societies and 600 federations. The average capital per member is now almost £5 and the training in self-help, discipline and organization is regenerative. It is spreading to other fields. The system is the Raiffeisen system and its growth is shown by contrasting the figures above with those of 1907 when there were 843 societies with 90,000 members and 1915 when there were 17,327 societies. The total capital in 1915 was £6,000,000. Bengal in June, 1916, reported 2,243 societies with 122,000 members and these were not only credit societies but agricultural (other than credit), weaving, fishermen's, dairying and sugar manufacturing.

British Burma had in 1914 976 rural credit societies with

24,000 members and 770 co-operative societies federated in 67 unions. There are 57 cattle-insurance societies, 9 sales societies, 7 silk-weaving societies. **Burma**

Alert Japan sent a government representative to Great Britain and Germany in 1911 to study the movement already under way in Japan. It is distinctly **Japan** favorable to its adoption. Co-operation is very young in this land ¹ but in 1912 it reported 9,394 societies having increased 1,074 societies each of the last three years. It had 76 co-operative societies for every hundred cities, villages and hamlets. There were 980,000 members, 70 per cent of all the Japanese cattle belonged to members of co-operative societies for the improvement of live stock, one of which societies had 38,000 members. Although modern co-operation is only about ten years old in Japan, it is growing more rapidly and constantly than in any other country, with the possible exception of Russia.

The Zionist colonies in Palestine in the stress of war are organizing co-operatively for very life. From Iceland and Labrador where Dr. Grenfell has introduced co- **Other lands** operation, to the islands of the Pacific the great current flows on. In the Island of Java it is starting. Buenos Ayres, the capital of Argentina, founded a strong society in 1905 and by 1906 this had a membership of over 3,000 and a paid-up capital of 884,462 pesos. It had three departments, credit, building and distribution. It had erected 163 houses and the turnover of the distributive for half a year was almost 120,000 pesos. In Antigua in the West Indies a strong tendency toward co-operation has become manifest. Sugar manufacturing has one notable co-opera-

¹ In its modern form. Some still flourishing societies for the co-operative sale of silk trace their history back 240 years. "Here we can see the spirit of co-operation moulding a nation's destiny; and it is in the active working of that spirit just where it is really wanted, in the village itself, at the very root of the co-operative tree, that accounts for the wonderful progress made by the co-operative movement in Japan." Co-operation: *Comparative Studies*, H. R. Crosthwaite, Calcutta, page 140.

tive success there and an onion growers' association is being followed by a cotton growers' and a lime growers' association. This impulse has led to like undertakings in St. Kitts, in Montserrat, the Virgin Islands and Nevis. Australia reports many successful stores and other co-operative enterprises. The Adelaide Society started in 1868 with nine members and a capital of £5 and a first week's trade of seven shillings, six pence and by 1912 it had a trade of £100,000 per annum. Melbourne has a co-operative fishermen's association which handles fifty per cent of all the fish in that market. South Australia, Queensland, Victoria and New South Wales all have well established undertakings and Tasmania is starting. What began at Rochdale has reached Kurri Kurri and Murwillumbah.

And the progress of the movement is not only geographical, from land to land and from continent to continent, but **Reaching new classes** it has begun to spread from class to class, from the industrial classes to the agricultural and, vice versa, and from the laborers to the lower middle class. A study of the orientation of the entire field of co-operation by C. R. Fay in his *Co-operation at Home and Abroad* shows at a glance its main developments. His four main divisions are (1) banks, (2) agricultural societies, (3) workers' societies and (4) stores. The banks or credit unions are the town banks and the country banks and their federations. The agricultural societies are first those for co-operative supply, then those for co-operative production in which field the dairies are most successful with cheese factories and bacon factories next in importance and thirdly those for co-operative sale such as the egg-selling societies, the German corn societies and the fruit-selling organizations. The workers' societies in Great Britain and especially in France and Belgium represent co-operative production or labor co-partnership, largely in various forms of factory work. Italy has developed a new form of workers' societies in the groups of laborers outside the factories. It is the conclusion of Mr. Fay that the greatest opportunity lies before the agricultural societies and the stores. "We have left,

as the most comprehensive and unlimited provinces of co-operation, the association of agricultural producers in all its forms on the one hand and the association of consumers on the other.”¹ The limits of co-operation were clearly defined by Beatrice Potter who showed that it could not spread below the thrift line or above it. “Poverty and irregular habits form a lower limit to the growth of co-operation. Fastidiousness and the indifference bred of luxury constitute a higher line to the desire or capacity for democratic self-government. To bring the great bulk of the middle and upper class expenditure within the jurisdiction of the co-operative movement we should be forced to impose a graduated income tax amounting to something like twenty shillings in the pound on all incomes over £400 a year.” But many measures of social amelioration tend to bring those who were below the poverty line above it, and the tendency of inheritance and income taxes and especially of war taxation, and increased prices and the higher cost of living is to make thrift a necessity or at least a social obligation to many who before were reckless. This tends to increase co-operative territory. Its students say it is spreading up and spreading down as well as spreading afar. When mankind begins to make real progress on its next great problem, that of the just distribution of wealth, giving more to those who have too little, and less to those who have too much, every step will prepare the way for more co-operation.

A survey of its triumphant march is inspiring to those who believe it is the long sought panacea of widest applicability and greatest promise. Its beginnings in **Retrospect** almost every land have been humble and un- **and prospect** noticed. It has a record of initial failure where the ground was not yet ready, but its roots spread silently in the soil and, in the fullness of time, land after land has witnessed a period of rapid development. It may well be that it must be reconceived to meet the new occasions of changing times.

¹ Fay: *Co-operation at Home and Abroad*. P. S. King and Son. London, 1908. See mainly table of contents, also Introduction.

Its technique may not be perfect. But a movement which has so marvellously adjusted itself to the diverse needs of widely different classes and nations will adapt itself to each decade and each generation. Its foundation principle of democracy and mutuality, of working together and sharing justly and fully is builded on a rock. Everything that makes for economy, justice, for mutual aid, for the moralization of society works for co-operation. To endeavor to record its progress is like trying to write upon a flowing river. One cannot say, "Lo! here!" or "Lo! there!" As one records, his very facts are outgrown and left behind. The days just before us when the co-operators in land after land will find themselves a working majority in their nation with a closely-unified organization and the skill and experience and purpose to conduct industry and commerce for the people are going to be thrilling days for those who watch and work. And it may well be that America's hour is at hand when she too will see and bear her great part.

E. S. W.

CHAPTER XXII

PLACE AND PROGRESS OF CO-OPERATIVE PRODUCTION

This book is devoted to the co-operation of consumers. A chapter on the co-operation of producers, however, finds place here for two reasons: to call attention to the influence of the co-operation of producers on the interests of consumers, and to point to the success of producers' co-operation as evidence that Americans can work together for common ends as they need to do to make co-operation of consumers successful.

Both co-operative producers who sell together and co-operative consumers who buy together aim at the elimination of the waste of the present middleman system. The producer seeks to add the savings to his income, while the consumers seek to subtract these savings from the costs of their supplies. Both aim to remove the lost motion in present distribution and rid society, so far as possible, of the uneconomic influence of an alien interest operating between producer and consumer. When consumers learn to manage the final steps of distribution as well as certain groups of co-operative producers are managing the initial steps of distribution, important economic achievements will have been brought to pass.

Many kinds of producers co-operate in many ways. The California Fruit Growers Exchange is composed of 6,500 or 7,000 orange and lemon growers who, through their organization market over \$27,000,000 worth of fruit per year. On the other hand, a co-operative organization may consist of a dozen neighbors who join to sell and ship their eggs together. The potato growers of Maine, New Jersey and other states unite to market their crops, as do the apple growers of Oregon, the melon raisers of Colorado, the cheese

Purpose of
co-operative
production

makers of Minnesota. Truck growing associations, grain and stock shipping associations in large numbers, handle their output co-operatively. It is said that such co-operative marketing associations of farmers handle around \$1,400,000,000 worth of products each year. There are thousands of co-operative butter and cheese factories and grain elevators.

The principles which underlie these organizations of producers are not unlike those of the Rochdale co-operative **Producers' societies or- ganized much like Rochdale consumer societies** organizations of consumers. Each member usually has but one vote, he leaves a small margin of money with the organization until the results of the business are known, when all "profits" are divided on the basis of the amount of each member's produce shipped or business done with the association. If the society has capital stock—as many, however, do not—a dividend equal to interest is first paid on stock holdings.

The advantages of shipping associations are many and obvious. The first and probably most important is that they insure much greater uniformity in packing and grading the product. A striking illustration of this is given by Mr. G. Harold Powell, Manager of the California Fruit Growers Exchange, in his book, *Co-operation in Agriculture*. The loss on the California orange crop from decay due to careless handling in picking and packing was from \$750,000 to \$1,500,000 annually. The picking and packing were taken charge of and done by the associations, and the loss from this cause was practically all prevented. In few cases of farmers' shipping organizations do the associations themselves do the picking and packing, but in each case the work is carefully supervised and inspected by the association's experts and thus a fairly uniform grade and quality is insured.

Then, of course, another great advantage is the immense reduction of expense of supervision of marketing, together with, in many cases, the ability of the organized producers to hire more expert men to handle this important end of the work. The telegraph bills, for instance, to get informa-

tion about markets, etc., run into many thousands of dollars. This and other like expenses being spread over a large output become trifling to each grower.¹ It is, of course, possible to systematize the selling and shipping business when enough of it is done under a single control.

A long step will have been taken toward shortening the road between producers and consumers when growers get into shape through organization to insure to consumers goods of uniform quality and standard grading. Immense losses have been sustained by both farmers and consumers by careless and dishonest packing. Much attention is now being paid to standardizing packages and packing so that the distant buyer may know just what quantity and quality he is getting. In the case of many products it is not now possible to buy without seeing the articles or at least a sample.

Thus are producers reaching out towards consumers with products of known value. It is now time for consumers to meet producers halfway by organizing to buy collectively direct from organized producers. **Consumer societies should meet producers' societies halfway** It should now be possible for products of many kinds to pass directly from the ownership and control of original producers to the ownership and control of ultimate consumers, thus eliminating all the lost motion and needless expense caused by the present middleman system. When the channel of distribution is operated at the source by organized producers and at the mouth by organized consumers, the security to consumers and the saving to society will be indeed gratifying to all who wish to see two blades of grass grow where one grew before. This is the key to the greatest problem of both the producer and the consumer. Mr. Hoover is quoted in this morning's ² papers as saying that the fixing of the price of wheat by the government saves \$3 per barrel of flour to the consumer and gives

¹ The Walnut Growers' Association have reduced the total cost of marketing from 36/100 to 40/100 cents per pound, whereas it formerly cost 7 cents a pound.—Paul Findlay in *Printers' Ink*.

² *New York Times*. Statement made at the war convention, U. S. Board of Trade, Atlantic City, September 19, 1917.

\$3 additional to the farmer. Whatever speculation and extortion and waste may have been eliminated between grower and consumer by the war food control, it is not better than producers' and consumers' co-operation could do with all products, to the national saving of billions of dollars a year.

Producers' co-operative organizations have their own troubles with members and those who ought to be members, Troubles of due to lack of consciousness of solidarity, of producers' so- organization and of integrity, broad-mindedness cieties cor- and business insight on the part of farmers. respond to those of con- When an association of far-sighted management sumers' so- sets out to market the orange or walnut crop of cieties California, the apple crop of Oregon, or the grape crop of the Chautauqua section, the policy will be based upon the idea that the goods must be sold wherever buyers can be found or created—this to avoid glutting the best markets. To bring this about will involve incurring extra selling charges like advertising, sending men to remote points, equalizing freight charges and perhaps making lower introductional charges, all for the benefit of *all* growers. It is often possible for private buyers without any of these expenses, but with the advantage of the conditions brought about thereby, to give the grower a slightly higher price, at least temporarily, and this wins away or keeps out of the organization the short-sighted and selfish who are willing to profit by the work of the association without sharing its expense. There are also growers who are not willing to conform to the quality standards set by the Association,¹ and for that reason refuse to co-operate. These forces of disintegration ruin many an association. So the work of education is cut out for the producing co-operators also. But great progress is being made and through costly expe-

¹ "The worst enemy of the farmers of America is the crooked farmer who puts out his product under false pretenses and thinks that his short-sighted tricks are putting him ahead in the game. He fouls the whole nest for himself and every man in his particular line of production."—Prominent fruit grower quoted by Forrest Crissey in *Saturday Evening Post*.

rience and propaganda a favorable consensus of opinion is growing among producers, and it is a healthy indication that motives other than narrowly selfish ones are being brought to bear among some of the national societies. It is gratifying that the federal government is doing much to help and encourage producers to co-operate in growing and marketing.

A sharp distinction needs to be made between producer co-operation, in which benefits and dividends are computed upon what is produced, and consumer co-operation in which benefits and dividends are paid on what is consumed by each member. Not all co-operative production is carried on by co-operation for the benefit of producers. If a co-operative store conducts a bakery, all the savings from running the bakery go to *consumers as consumers*. Workers in the bake shop are employees of the consumer society and receive fixed wages. Thus a co-operating consumer, buying twenty dollars worth of bake stuff, will get a dividend as large as the savings, i. e.—10 per cent or \$2. This dividend in consumer co-operation *does not go to producers* as in the case of *producer* co-operation. Thus the co-operative production of a hundred millions of dollars worth of goods, and more, per year in Great Britain is *consumer co-operation*, and all the savings which in producer co-operation would go to producers go to consumers, each in proportion to the amount of his purchases. There are radical disciples of co-operation of, by and for consumers, who are opposed to producer co-operation on the ground that such producers acting together seek to get the highest possible price, that they are engaged in exploiting the consumer. They urge that consumers should initiate production, producing not for profit but for consumption at cost, and should gradually take over all production, conducting it in the interest of consumers. This the British Wholesale have done in large measure, so that the butter they make in Ireland, the tea grown in Ceylon, or the wheat produced in Australia, reaches the remotest consumer at a price which includes no profit to

Producers' society contrasted with consumers' society for the purpose of production

anyone but interest upon the land value and fair wages to all who helped to grow, make and transport the product.

It is true that the orange growers of California co-operate to get from the consumer the highest price possible, but this will not be proven to be anti-social until the consumers demonstrate that they could raise the fruit for less on the average than they would have to pay the present growers. The consumer's dollar paid in 1915 for oranges went as follows: the retailer got 24.9 cents, freight 17.6 cents, the jobber 8.1 cents, harvesting 1.1 cents, advertising, publicity and all other expenses of exploitation 1.2 cents, and growers 40.3 cents.¹

At the present time there seems to me to be much more hope of cutting in half the 33 cents going to jobber and retailer in the interest of consumers than in saving any of the 40 cents which the grower gets. Especially is this true when we recall that orange acreage will increase just as long as growers can make a living producing the fruit under present efficient marketing methods. What consumers need to do is to assume control of the final steps of distribution and manage them in their own interest as efficiently as these producers are conducting the initial stages of distribution. Moreover, to worry about what will come to pass when producers and consumers finally join issues at the halfway point between source and destination of products is to cross a bridge which is a very long way off. Meantime consumers can afford to bid Godspeed to co-operating producers, especially as when consumers have the wit to act collectively they can always produce whenever and wherever their interests can be furthered by so doing.

Consumers
would do well
at present to
co-operate
with the pro-
ducers' so-
cieties in
fields where
such exist

SOURCES OF FURTHER INFORMATION ON CO-OPERATION OF PRODUCERS

Co-operation in Agriculture: G. Harold Powell, Macmillan.

Co-operation Among Farmers: John Lee Coulter, Sturgis and Walton.

¹ *Printers' Ink.*

Marketing of Farm Products: L. D. H. Weld, Ph. D., Macmillan.

Co-operation in the United States: S. W. Perky, Ph. D., Co-operative League of America, 70 Fifth Ave., New York (pamphlet—10 cents).

Many pamphlets are issued by the U. S. Department of Agriculture and most of the state departments of Agriculture. Most of them are sent free on application.

CHAPTER XXIII

THE PROSPECT FOR CO-OPERATION OF CONSUMERS IN AMERICA

"The power of wealth and of privilege can be successfully met by the people only by utilizing to the full extent the power of numbers; utilizing that power not only politically but industrially. . . . Emancipation can come only through the utilization by the people not only of their power of production but of their own purchasing power."—LOUIS D. BRANDEIS, Justice U. S. Supreme Court.

In the preceding pages I have endeavored to show how the power of the dollar to command the satisfactions of life can be greatly enlarged and the business of distribution harmonized, moralized and socialized through co-operative buying. It remains to consider in this chapter the outlook for Rochdale co-operation in this country, and in the final chapter to point out what seem to me the things to be done to establish this beneficent order in America.

Probably few careful students of the problem will deny the advantages which I have claimed for co-operation of consumers. Many economists see and admit the folly and waste of the present distributive system. Many deplore the burden to the poor caused by the bungling business incident to unregulated competition for profit. As a matter of fact, the present profit system is as inconsistent with real democracy as farming out the taxes to the speculative tax gatherer, so common in the good old days. Mr. Justice Brandeis, has this to say about it,—

"The position of Money Kings is much like that of the monarch in the kingdoms of old. We have no place in the American democracy for the Money King, not even for the merchant prince. Industrial democracy must supplement political democracy; industrial liberty, political lib-

Approval of
co-operative
theory very
general

erty. Political independence and industrial dependence cannot long exist in the same individual. We are confronted in the twentieth century, as we were in the nineteenth century, with an irreconcilable conflict. Our democracy could not endure half free and half slave.

"The essence of the trust is a combination of the capitalist, by the capitalist, for the capitalist.

"The essence of the co-operative society is association of the people, by the people and for the people."

Approval of the theory of co-operative organization of consumers for buying collectively is very general. But distrust of co-operation as a practical remedy for the shortcomings of present distribution is about as general as admiration of the theory. Has not the co-operative store been tried in hundreds of places in all parts of the country and failed? Even before the Rochdale pioneers made their memorable start in 1844, co-operative stores were tried in this country.

Before the middle of the last century the Workingmen's Protective Union had quite a number of stores in New England. Latter the International Industrial Assembly of America and the National Labor Union promoted stores and stood for the principle as did also the Patrons of Husbandry and the Knights of Labor in the latter part of the century. And yet co-operative buying has never gone far enough in this country to establish and maintain an efficient wholesale house.¹ There are somewhere between 500 and 1,000 isolated co-operative stores in the United States at this time. But there is no store to which the friends of co-operation can point and claim that it has under normal average conditions adequately demonstrated the value of co-operative buying.²

¹ The Rochdale Wholesale in San Francisco was a good start but had too small a business to demonstrate the idea.

² For a recent account of co-operation in this country see *Co-operation in the United States*, by Cheves West Perky, Co-operative League of America, 2 West 13th St., New York City. (Pamphlet, price 30c.)

What, then, is the outlook for consumers' co-operation in this country? Perhaps prophecy on this subject may be **The outlook** considered profitless, and any individual opinion may be so far colored by personal experience and personal temperament as to be without value.

The Montclair (N. J.) Co-operative Society with paid-in capital of \$10,400, 432 members largely among the well-to-do, built up a trade in five years of over \$100,000. Owing to mistakes of management early in its history the society found itself without sufficient capital to meet war conditions.¹

Co-operative buying will succeed when people realize the overwhelming advantages of co-operative distribution over **Conditions of success** profit distribution and when they comply with the plain conditions of success. What are the requirements for success? They are two. To run a successful co-operative store requires, first, real co-operation, and, second, the right kind of store. There must be an adequate group of real co-operators and they must run a store on sound co-operative store principles. That's all. The members must understand what co-operation means and must take the matter seriously. The store policy must be adapted to the co-operative ideal. The usual sales-pushing, bargain-offering store is as weak and unfitted to co-operation as an ordinary horse vehicle is unfitted to an automobile engine. So it takes a real co-operative group and a real co-operative store to deserve success. Did you ever know a store which had both of these? I never did. I have looked into many stores which failed, and I have yet to discover one which did not invite failure. The failure of hundreds of "co-operative" stores simply means nothing so far as the merits of co-operative buying are concerned. The principles of co-operative buying are sound. They prove out *so far as they are tried*.

The co-operative store in America, almost without exception, has been started under a false idea. This idea is

¹ The writer has taken over this store and will endeavor to work out some economies in food handling which may later help co-operators.

that the dealer receives a large arbitrary profit and this profit could be cut out simply by starting a co-operative store. As we have seen, the dealer does not get a large arbitrary profit. So when the store is started and fails to give its members this large saving at once, people are disappointed and quit. The fact is that the savings from co-operation must come mostly by doing the distributive work at less expense than the profit dealer pays and this takes time, ability and patient working out.

But it can and will be done. Consumers have before them the problem of developing more direct ways of distribution and seeing that these ways are followed. They need only do for themselves what the manufacturers of New England have done for themselves, and the farmers of the west for themselves in the matter of fire insurance. In 1870 it cost the mill owners 31.8 cents per year for each \$100 in insurance. The Mutual (co-operative) insurance plan was adopted and in 1900 the cost had been reduced from this 31.8 to 6.5 cents per \$100. To be sure this reduction was largely due to the introduction of preventive appliances, but the co-operative plan itself saved very much and put the motive for saving in the right place. In 1910 there was \$2,220,000,000 of such insurance in force.

Perhaps the most striking instance of successful consumers' co-operation in this country is to be found in farmers' fire insurance. "There are at present nearly 2,000 farmers' mutual fire insurance companies in the United States. These companies carry a total amount of insurance exceeding \$5,250,000,000. The property in which the insurance is written is valued at more than \$6,700,000,000, which is more than two-fifths of the value of all the insurable farm property in the forty-eight states."¹ Why this enormous growth of co-operative self-supply of insurance? It is because the regular fire insurance companies incur enormous expenses not to perform useful service for the insured but, like profits, to benefit the companies. Says

¹ Year Book, U. S. Department of Agriculture, 1916, page 421.

the authority above quoted: "It may be safely said that in a number of the states where farmers' mutual insurance is most highly developed, the average cost of insurance for all these companies in the state has fallen well below one-half of the rates quoted by commercial companies or so-called bureau rates. Some idea, therefore, of the total annual saving to the farmers of the country through co-operation in fire insurance may be readily formed. The saving of the farmers' mutual insurance cost may be credited mainly to two sources. First, the expenses of operation necessarily incurred by large commercial companies for commissions, salaries, dividends, taxes, rent, rating charges, legal assistance, etc., have been either greatly reduced or entirely eliminated. Second, the losses experienced have been fewer by reason of the practical removal of the moral hazard." ¹

The problem which has been met and solved by these thousands of textile mills and millions of farmers, is very similar to the vastly more important and pressing one which confronts consumers. Here is purveying, a necessary social function which is being performed at an expense to the consumer, direct and indirect, of probably double what the work might be better done for by consumers acting collectively.

Moreover, a way has been pointed out in England, and there tested and proved, by which the service can be satisfactorily and economically performed. The co-operative plan is just as truly demonstrated as was the flying machine after a successful flight had been made. As Dr. John Graham Brooks says, "If the—(naming a promotion organization) has one store which has followed the whole program laid down by it, and that store is successful, it has proven its case. It has given the most invincible proof that in its own field business may be democratized." The soundness of the co-operative idea has been demonstrated by a steady and stable growth in Great Britain for nearly

¹ Year Book, U. S. Department of Agriculture, 1916, page 480.

three-quarters of a century and has been proved out in many isolated cases in America. There are several stores in New England which are twenty to forty years old, which prove the possibility of maintaining a store owned by consumers. The Tamarack¹ Co-operative Association of Calumet, Michigan, has, in the face of sharp competition, paid its stockholders eight per cent each year for the past twenty-five years, and for the past fifteen years has returned twelve per cent or more to its members as dividends on purchases, having conducted its business at the low cost of twelve per cent including delivery. At Olathe, Kansas, the Johnson County Co-operative Association has been doing a successful business since 1876, the annual trade amounting to about \$250,000 with fair dividends to members each quarter.

I have said that in many cases the validity of the co-operative principle has been proven in this country *so far as the enterprise went*. I mean that the plan has been proved out piecemeal but so far as I can learn never has been as comprehensively tested as would be necessary to show the value of complete co-operation of an adequate group working with complete and truly co-operative distributive machinery and methods. But the value of the plan has been demonstrated. And American people have demonstrated through building and loan undertakings, co-operative shipping, co-operative creameries, co-operative insurance, and in other ways, that they can work together for common ends as they would be required to do to make co-operative buying successful. It is only necessary that people get the same intelligent grasp of the co-operative buying idea.

Another reason why I believe co-operation is bound to come is that the reasons given by the disbelievers why co-operation cannot succeed are, in my opinion, wholly inadequate and ill founded. What are these reasons, generally given, why co-operation in America cannot succeed?

¹ For an account of the promising work in Canada, see Appendix I.

Americans, it is said, are too well off, whereas co-operation succeeds only where dire necessity forces it. To this it seems sufficient to reply that in Europe co-operation is most successful not with the very poor but with the middle class. What we need is not the poorest, but people competent to count the cost of what they buy and to know and appreciate savings. This group is, happily, growing day by day.

Another assertion is that we in this country are such hopeless individualists that we cannot learn to act together. If this be so, there is a sorry outlook for democracy. The present war would seem to indicate that we can and do act together when the object is sufficient, and that we believe democracy is worth fighting for.

The argument is often clinched with the assertion that only private profit is a sufficient incentive to develop the initiative needed in an important and intricate business which must meet competition of dealers spurred on by purely pecuniary motives. This may be to some extent a matter of opinion, but as I look at it, the very best work done in the service of society is motivated not by money nor purely selfish incentives.

Co-operation will come when enough people want it and want it enough. That day will be hastened by the discovery that the present burdens to the consumer incident to distribution are inherent in the present merchandizing system, and that they can be cured by thorough co-operation.

Whether the nucleus of the movement which is to plant co-operation is now in existence, no one can tell. The miners' societies of Illinois may send down firm enough roots. Or the persistent efforts on the Pacific coast with all their ups and downs may finally get onto a permanent footing.

The Finns, whose co-operative operations are various and include the ownership of property worth millions, may set us the right example. Or some plan like the chain stores of N. O. Nelson of New Orleans may show such economies as

How will
American con-
sumer co-
operation be
developed?

to take prominent place.¹ Again, the buying club movement may discover a plan which will show large economies, reduce the trouble and annoyance to a minimum, and so gradually develop a large aggregate turnover and hold a permanent place. How co-operation will come no one can tell, but come it will, and in a form broadly adapted to the great and unique American setting.

¹ See Appendices for reports of co-operative status and outlook in different parts of North America.

CHAPTER XXIV

FOR A STRONG CONSUMERS' MOVEMENT IN AMERICA

What can be done about it?

We have seen that immense burdens are imposed upon consumers by the competition-for-profit system of mercantile distribution. Under present day aggressive advertising and salesmanship we are led to purchase unwise and often extravagant, unwanted things, while we are afforded inadequate facilities for wise choice. Consumers pay an annual bill of hundreds of millions of dollars for unwholesome advertising and other forms of persuasive salesmanship.

It is also made clear that the immense annual loss from adulteration, short measure and other forms of deception is due wholly to competition for profit.

The third source of loss to the consumer lies in the fact that the system causes dealers to incur in distribution processes—and pass on to the consumer—various needless expenses beside their net profits. Private profit dealing is inherently too expensive.

Various bad economic, social and ethical influences of the system have also been pointed out.

The almost universal belief of those who have given special attention to the matter is that a large portion of the present cost of distribution is avoidable. That immense savings could be made by the adoption of efficient methods for the present costly ones is evident also from a comparison of the present cost of improved distribution of certain important products with the cost before reformed systems were devised. Also by comparing the cost in occasional efficient distributive agencies with those of the average chaotic practice.

It seems probable that billions of dollars could annually be saved in this country, hundreds of thousands of men set free to engage in production and thousands of families brought above the line of want by a thoroughgoing revolution in distributive processes.

I have pointed out that the machinery of distribution is in the hands of interests having no incentive to reduce the cost of distribution, who constantly press down the price paid producers and raise the price charged consumers, thus increasing the total spread or cost of distribution.

The remedy is to be found in the assumption of distribution by the only class constantly interested in reducing its cost,—namely, the consumer-public. This transfer of ownership of the distributive machinery from the middleman to the consumer would automatically remove all the evils of overstimulated selling, deception and lost motion, so locate the propelling motive as to make for social welfare, and enormously reduce the cost of transferring goods from source to destination.

This collective operation of the distributive machinery has been successfully carried on in Great Britain for three-quarters of a century. Its practicability has been shown beyond any doubt and its advantages largely demonstrated.

What must be done to bring within the reach of Americans the immense advantages to be derived from co-operative buying? To answer this question we must ask at what points the consumer may expect to save. Here it is easy to jump to a wrong answer. It is often assumed that the cost of the consumer's goods is to be reduced by cutting out the net profit of the retailer. This is a great mistake as hundreds of groups of consumers starting with high hopes have discovered to their sorrow after they have put their good money into co-operation. Take retail food dealers the country over and they probably do not make so much as two per cent of net profit on their sales, after allowing themselves such salary as a co-operative store would have to pay a manager. Perhaps

What must be
done to plant
co-operation
in American
soil

Savings
mainly from
dealer's
profits

of the total fifty per cent or so which the consumer is charged for bringing his food to his kitchen, not over five or six per cent of the retail price goes in net profits to commission men, wholesalers, retailers and all who handle the goods as dealers.

Now the great saving to the consumer is to be looked for in avoiding the waste due to inefficient distribution. The waste which should be avoidable is probably two or four times as much as the clear profit to dealers. The great gain in co-operative buying will come, then, not mainly from saving the dealer's net profits, but in so locating the control of distribution as to bring to bear the consumer's incentive to discover and cut down other cost.

Steps Toward Consumer Societies

Steps toward the establishment of consumers' co-operation would seem to include the following:

Developing co-operative spirit 1. Development and mobilization of the co-operative spirit in favorable groups so located and situated that definite pecuniary advantages can be shown by operating through an agency adapted to local conditions.

This might be a buying club or a store. Starting a store should be avoided where the net profit of present stores is so small that from a like spread the inexperience and inefficiency of the new co-operative group would be sure to show a loss. A modest buying club, composed of friends who are willing to do their own work, is very often the best instrument of saving as it is the best school and laboratory for the study and development of co-operative principles.

No store should be started under conditions such that the enterprise is not approved after careful consideration by good judges from a business standpoint.

Developing new distributive agencies 2. Invention and development of the most economical and efficient kinds of distributive agencies or stores.

Of the present state of the art of merchandizing Dr. Paul H. Nystrom in his *Economics of Retailing* says: "The costs of distribution are admittedly too high at present for the

service rendered. The same inventive genius that has been applied to the production of goods so as to cut down the cost per unit can no doubt be applied in a similar way to cut down the cost of distribution per unit. What is needed is the application to distribution of science and research as these methods are now applied to production." Consumers have the direct incentive to apply "science and research" to this problem through collective action and thereby to bring to themselves and their fellows enormous advantages. When the efficient machinery is developed and the irresistible force of the real co-operative group is applied thereto the results are sure to be gratifying.

3. Experimentation to discover best methods of doing different parts of store work.

4. A way must be found to enlist and train store workers. To run a co-operative store successfully the store manager and assistants must be co-operators as well as storekeepers.

There is undoubtedly sufficient latent co-operative sentiment in this country, enough co-operators possessing the vision and the energy. The problem is how to get over the dead center of first difficulties, into the position to make clear demonstration of the merits of the Rochdale plan. A clearing house of information and literature, like that being developed by the Co-operative League of America ¹ is a long step in the right direction. But two equally important steps remain: the application of "science and research" to practical storekeeping, and then the co-ordination of co-operation and approved distributive methods.

A Building Plan Proposed

Many Rochdale disciples, undismayed by the unsuccessful attempts to plant isolated stores, are firmly convinced that consumer co-operation ought to work in this country and that it will work and bring its immense advantages when wisely and resolutely applied.

The important question is how a test may be made, under conditions which shall adapt the principle to American

¹ No. 3 West 13th Street, New York City.

needs and avoid the mistakes common in American groups. The attempt is here made to draft a plan which would, if successful, be of the utmost value as affording such a demonstration and which, it is believed, gives every promise of success if properly carried out.

The first concern is to avoid the mistakes and weaknesses of the single isolated store, by bringing to bear the financial strength, purchasing power, economy and efficiency of large-scale operation. This must be brought about without depriving the local group of that measure of home rule, incentive to saving and growth, and responsibility which make for devoted interest on the part of members. In short, the purpose must be to leave with the local group those duties and privileges which it can best handle, and to place in charge of a general organization those things which can best be done by a larger body.

In some territory—favorable to the starting of a considerable number of local distributing agencies, buying clubs, local warerooms, and stores of various kinds,—organize a co-operative company. This company should have power and sufficient authorized capital to own and run as many local units as seemed best. The company should first accumulate sufficient practical knowledge of store economy to know what localities and groups could make a retailing unit profitable and what kind of an agency, buying club, store or other would be best adapted to the local needs.

The company should then start and own a local unit wherever a group would subscribe for sufficient stock, enough members pledge to buy regularly at the store and comply with other conditions imposed by the general company. Capital subscribed locally should be sufficient to finance the local unit and make a proper contribution toward the general capital. These local units (stores or buying clubs) would be owned by the company, their purchases and general supervision would be in its hands, but they would have their own local committees and manage their own local affairs subject only

**Establish-
ment of local
units**

to such general rules and supervision as would conserve the capital, including that subscribed by the local members and make for greater success.

But here is the keystone of the arch of its plan: namely, each local unit would pool separately and retain the purchase dividends on its sales, and limit its own local expenses. Sales of each unit pooled separately

To the price of the goods supplied the local store would be added a percentage to meet the expenses of the general company. But these expenses should, and could be kept very small, amounting to hardly more than a fair brokerage on purchases. The general company would undoubtedly thus furnish the local units with their goods at materially less, this brokerage included, than they could be bought by an isolated group. And besides its buying, the general company would furnish system, auditing, publicity helps, and also such general supervision as would eliminate nearly all risk of failure.

This plan would insure all the economies of the chain store without its faults. The local store would be relieved of the expense of buying which costs, say, from one to three per cent, thus permitting its manager, freed from all responsibility of buying, to give strict and constant attention to store details. Functions of local stores A less expensive local manager would be required.

The local group would have immediate control of local store management, deciding how simple and cheap or elaborate and expensive its service to consumers should be. Thus a local group might be a buying club, unpacking and dividing its own goods and having practically no local expenses, or it might have the most elaborate equipment and service to meet the needs of expensive trade. With the local purveying expenses the general company would have no concern, so long as they were covered by gross profit so as not to cause a trade deficit to be met by the general company.

The duties of the central management would be first and foremost to provide expert advice and guidance in all

lines essential to success. It would see that a wise program of education in co-operation was carried out, and **Work of gen- co-operative principles exemplified by the local eral company** groups. It would disseminate information about efficiency methods and see that the whole business including that of the local stores conformed to best practice. It would enlist and train store managers and workers. It would go into buying and providing goods in such thoroughgoing manner as to insure a constant supply of what, after thorough investigation, enlightened consumers would choose to buy—that is, the really best, cost considered, not necessarily what consumers buy from habit or as the result of advertising. To do this would require more than a passive policy on the part of the purchasing department, and would involve searching food sources and making expert tests such as the single store cannot afford. The seal of approval of the company upon a commodity would come to be better insurance of merit than national advertising and at a fraction of the cost to the consumer. This kind of buying solely in the interest of the consumer would be of decided advantage to the membership.

Information for consumers regarding the goods handled would be supplied by the general management. This would constitute inexpensive but effective advertising for local stores, and would be first class and very useful buying information for consumers.

The central management would attend to audits and surveys of local stores, requiring of them the necessary facts and figures therefor and returning reports and advice based upon showing. This supervision would be a decided stimulus to local directors and managers.

The company might begin with a single local store or wareroom to serve as a retail as well as wholesale agency, **A safe begin- ing** general storehouse and offices. This should be so small and inexpensive as to incur a minimum of overhead unproductive expense at the start. The company should begin with some funds for necessary incidental expenses in connection with preliminary investigations and

arrangements, but not a large capital to tempt to unwise expenditure. The research and preliminary work should be largely done by volunteer workers.

LOCAL UNIT**GENERAL OFFICE**

Local Store Does for Itself:	General Office Does for Local Store:	General Office Does for Itself:
Renting store, selecting fixtures, etc.	Promotion and organization Advice, auditing, supervision Buying <ol style="list-style-type: none"> 1. Food testing 2. Investigation of sources 3. Getting prices 4. Financing Publicity, printing, etc. Training store managers and other workers	Manages office Hiring wholesale managers, buyers, organizers, accountants and others Financing of larger organization Propaganda for the co-operative cause Promotion of membership
Hiring manager	Local Store Does for General Office:	
Organizing and managing local service	Furnishes laboratory for developing new methods and training workers Partially supports it through commissions on buying Governs it through representatives locally elected	
Reporting to general office		
Local propaganda and advertising		
Promotion of membership		

Functions, independent and reciprocal, of General Office and Local Units.

A fairly complete tentative plan should be worked out showing items of cost and investment before subscriptions are asked for. These plans should be such as to merit the approval of competent and well informed merchandizers, as well as of the most idealistic believers in the Rochdale philosophy. To collect a large capital without first working out the construction

Plan of work
to be agreed
upon before-
hand

plans step by step is to invite almost certain failure. It is not safe to lose sight of the fact that savings to consumers are to be chiefly made by simplifying distribution and devising economies of operation, and only secondarily taking over the profits of dealers in excess of the usual expense of handling goods.

Of this plan the freest and most searching criticism is invited. It is very incomplete, but to my mind, comes the nearest to pointing the way to success through merchandizing efficiency infused with co-operative idealism, of any program thus far proposed in this country. Without being unwieldy it so unites local stores as to avoid what is for us the looseness of the federation plan by which the English stores own the wholesale. It avoids the benumbing influence of pooling together different stores in very unlike situations, as was the case with the California Rochdale Company and is still with the New England Company. It gives the local store the benefit of valuable advice, better buying than is otherwise possible, economy of operation and a financial strength at once conducive to respect and the promotion of membership.

Put behind this plan a group of constructive-minded co-operators who are as devoted to consumers' co-operation as the wonderful possibilities of the plan justify, some of them having free time and some of them free money, and it may be expected to go far. After years of study and experience in co-operation and merchandizing I am persuaded that somewhere in this direction lies the route to the promised land of liberty and democracy for consumers.

But feeling no doubt that the irreducible minimum which can be justly claimed for Rochdale co-operation is that it furnishes the key which, properly inserted, will unlock the greatest economic problem before the American people, I am not at all disposed to dogmatize as to plans and programs.

While here lies pecuniary relief, easier access to the good things of life, here we may also look for justice, equity, fraternity and a large measure of social well-being.

This plan
avoids com-
mon pitfalls

Surely the need is so urgent, and the incentives to achievement so great and the promise of co-operation so real that any well-wisher of his kind who thoroughly grasps the principles can hardly withhold his hand from intelligent effort.

Much in this book may be found to hit wide of the mark, but the subject is so commanding that even to have written error where such it prove to be, is not without value if it challenges others to seek the truer way. Only through the devoted and intelligent application of co-operative principles to the right sort of distributive methods will the consumer come into his own.

APPENDIX I

STATUS AND OUTLOOK OF CO-OPERATIVE BUYING IN DIFFERENT SECTIONS OF NORTH AMERICA

In order to get first hand information regarding the present status of consumer co-operation in various parts of this country and Canada, I have written men close to the work in each section and am privileged to give the following reports and expressions of opinion.

I trust that before long some one will give a comprehensive survey of the whole subject in a manner much fuller and more detailed than Mrs. Perky has done in her nevertheless valuable pamphlet published by the Co-Operative League.

A. HOW IT LOOKS IN CANADA,

BY GEORGE KEEN, HONORARY SECRETARY CO-OPERATIVE UNION OF CANADA

The Co-operative Union of Canada was organized on the 6th day of March, 1909, to perform functions similar to those of the British Co-operative Union. It is a federation of bona fide co-operative societies, all of which, at present, are on the Rochdale Plan. At present the societies in affiliation are the following: The Guelph Co-operative Association, Ltd., Guelph, Ont.

The Peterborough Co-Operative Society, Ltd., Peterborough, Ont.

The Galt Co-operative Society, Ltd. Glat, Ont.

The Industrial Co-operative Society of Hamilton, Ltd., Hamilton, Ont.

The Industrial Co-operative Society, Ltd., Valleyfield, Que.

The British Canadian Co-operative Society, Ltd., Sydney Mines, N. S.

The Glace Bay Co-operative Society, Ltd., Glace Bay, N. S.

The Merritt & District Industrial Co-operative Society, Ltd.,
Merritt, B. C.

The Workmans Co-operative Association, Ltd., Nanaimo, B. C.

The Western Canadian Co-operative Trading Co., Ltd., Coleman, Alta.

The Eckville & Gilby Co-operative Co., Ltd., Eckville, Alta.

The St. Paul des Metis Farmers' Co-operative Society, Ltd., St. Paul des Metis, Alta.

The Regent Co-operative Exchange, Ltd., Regent, Man.

The Verdun Social Co-operative Society, Ltd., Verdun, P. Q.

The Cape Breton Co-operative Society, Ltd., Dominion, N. S.

All with the exception of St. Paul des Metis, Alta., Eckville, Alta., and Regent, Man., are of working men, the last named being farmers' organizations.

The Union, through its secretary, informs and advises local organizers of co-operative societies, taking care, before doing so, as far as possible, to see that the promoters are not self-appointed, but acting as the elected representatives of democratic bodies. The Union also has for the last eight years published a small monthly magazine known as the "Canadian Co-operator." For educational purposes, this is supplied in bulk to the affiliated societies at the cost of printing, the same being gratuitously distributed by each society amongst its members.

The organized Movement in Canada is still on a very small scale. The revenue consequently accruing to the Union from the societies is too small at present to provide full time service of capable organizers and officials, without which, over so large an area, it is not possible to make great progress.

There are a great many co-operative societies, so called, in Canada, besides those federated with the Union. Many of them are no doubt genuine, but we cannot speak as to any which are not affiliated; affiliation being evidence to the public that bona fides have been investigated. Many, particularly agricultural, are really of industrial service, but not co-operative, through lack of knowledge of co-operative principles. In the Canadian west there are some organizations in connection with the Grain Growers Associations of Manitoba and Saskatche-

wan, and the United Farmers of Alberta. They are organized in good faith in the interests of the farmers. They have been of great value to the agricultural industries in the West, but in some cases are deficient in an efficient democratic control such as is demanded by co-operative societies, or distribution of surplus revenues do not closely follow recognized co-operative principles.

It should be mentioned that in the province of Quebec there have been successfully organized during the last few years by Mr. Alphonse Desjardins¹ of La Caisse Populaire de Levis, Levis, Que., a considerable number of small credit societies or local co-operative banks; indeed Mr. Desjardins is regarded as the father of this phase of the Movement on the American continent and, at the request of Governor Foss, some years ago assisted in the organizing of similar societies for Massachusetts.

That co-operation can become a great success in any city, town or village in Canada if the correct principles are practised and the necessary enthusiasm displayed by the people is proved by the achievements of the British Canadian Co-operative Society at Sydney Mines, N. S.

The central store has a floor space of 15,555 square feet, and consists of basement and two floors. The ground floor is devoted to the sale of groceries, provisions and domestic hardware. On entering the store there is found on the left-hand side the office for the receipt of the cash carriers, and recording cash takings. On the outside of the office is to be found a letter box where members deposit written orders for goods to be made up and delivered by the delivery wagons in due course. In some parts of Canada members of co-operative societies expect daily and even more frequent delivery of small orders, and sometimes orders to be solicited, which involves a great waste of their financial resources. In Sydney Mines such extravagant habits as to service are not tolerated. If people wish goods to be delivered they can only have a service twice weekly. On the

¹ For further information see pamphlet, *The Co-operative People's Bank*, by Alphonse Desjardines, published by the Division of Remedial Loans, Russell Sage Foundation, 130 East 22nd St., New York, Price, 15 cents.

ground floor the first counter is devoted to grocer orders which are verbally given, and then made up and handed to members who wish to take the merchandize away with them. This is where the pressure seems to be always great, and in order to insure that every member is served in his or her turn, each puts, on entering the store, a memorandum book in a letter box at the counter. Inside the book the customer's membership number on the society's roll is written. When an assistant has made up an order for one customer he goes to this letter box, takes out the bottom book, calls out the number, and proceeds to make up the order.

The store also has a meat and provision department; dry goods and other departments, a new bakery and a suburban branch at which 150 members trade. The society has 1005 members, has been prosperous for more than ten years and now pays back its members 12 per cent on their purchases in spite of the fact that its initial prices are so low that competing tradesmen urge the society to charge higher prices. The society owns net assets of \$126,005.90 including \$1,329.57 worth of stock in the British Wholesale of Manchester; did a business during the six months ended August 31, 1917 of \$251,963.68, or about half a million dollars per year. During the half year 256 new members have been added, the trade increased \$89,055.45. This miners' society appears to be in every way successful.

B. CONSUMERS' CO-OPERATION IN CALIFORNIA,

ERNEST O. F. AMES, PRESIDENT PACIFIC CO-OPERATIVE LEAGUE

The material for this account is kindly furnished by Mr. E. O. F. Ames, with whom, for some time, I have been in communication. This story is a typical one of struggle and disappointment, but one which will, we trust, have a happy ending.

Rochdale co-operation started in California about eighteen years ago. The first store, founded in 1899, was located at Dos Palos in the San Joaquin Valley. Following this example and assisted by the Farmers' Alliance, other Rochdale stores

were promoted in different parts of California, and the movement even spread to Oregon and the Northwest.

These stores, entirely isolated at first, were very successful and there seems to have been little difficulty, when the period of inter-association came, in establishing a wholesale.

A central educational committee with a monthly co-operative newspaper was established, and a large number of new stores promoted under the leadership of the Rochdale Wholesale Company. The stores seemed to flourish at first, and to pay dividends. Capital was fairly plentiful and business brisk. In a few years nearly one hundred stores were in existence.

It would appear, however, that sufficient attention was not being devoted to business-like and co-operative methods. The stores were not loyal to their wholesale, and many of them from the very first gave way to the blandishments of the drummer and scattered their buying among all the other wholesale houses within reach.

The co-operative store has the advantage over ordinary retail stores—a circle of ready-made customers who should have a moral as well as a financial interest in the welfare of the store. In order to preserve this advantage, however, and to maintain itself in the fierce struggle for existence the co-operative must carry on an aggressive educational campaign, both to hold the members it has and to add new ones. This is doubly necessary where the store must withstand the powerful opposition of retail merchants, jobbers and their associations.

Unpreparedness on the educational side seems to have been the trouble in California. As time went on one store after another failed. The Rochdale Wholesale Company was perhaps the greatest sufferer in these reverses, as its business was declining and its capital was largely impaired by the bad debts of its defaulting stores.

"A period of serious stress and difficulty set in, and one wondered," says Mr. Ames, "if, after all, the pessimists could be right in their assertion that 'co-operation was not congenial to America'; that 'California people especially were not suited to, and could not be relied upon to build up a permanent co-operative movement.'"

The leaders of the movement, however, would not accept this verdict and they struggled earnestly to arrest the downward tendency. Ways and means were sought to overcome the losses sustained and finally a plan was put into operation whereby a federation of retail stores were united under one central management.

This federation, known as the California Rochdale Company, worked in close co-operation with the Rochdale Wholesale Company. Its purpose was to make all new stores branches of the California Rochdale Company and to bring in any of the old stores that might be willing to federate. Buying was to be centralized through the wholesale, bookkeeping, auditing and educational work were to be systematized and carried out regularly. The plan had a great deal to recommend it and might have succeeded if it had been consistently pushed.

Unfortunately, however, the new stores were not run on a cash basis, the educational work was almost nil and buying was scattered in all directions. New stores were opened rather too rapidly to be properly established and thoroughly organized, and although money came in from the sale of memberships very freely, there was insufficient capital to pay for the large stocks carried by most of the stores. Members' credit accounts also absorbed considerable capital.

Suffice it to say that in less than two years this movement, so full of hope at the beginning, was in difficulties. When it failed with the closing of its ten stores it left affairs in a worse condition than ever.

The old independent Rochdale stores remained, greatly diminished in number and steadily declining. There were now less than thirty of the original hundred, some very successful, others moderately so, others on the verge of failure.

"The many failures," says Mr. Ames, "could all be traced to lack of credit, lack of educational work, absence of auditing or any systematic bookkeeping . . . an attempt to get the remaining stores to go on a cash basis and to adopt expert auditing and strict bookkeeping did not meet with much success. It was also, in view of past failures, well-nigh impossible to promote new stores. Co-operation was in strong disfavor. Its repre-

sentatives were in danger of rough treatment. . . . People asked to be shown that co-operation could be made a success. They refused to assume liability for any more losses and failures."

All this time the Rochdale Wholesale in San Francisco was suffering from loss of business and loss of money from defaulting store customers. It was essential to stop this if the Wholesale company was to continue.

These conditions lead to the founding of the Pacific Co-operative League. A small nucleus of co-operators, who wished to save the movement and build its future, saw the necessity of some new plan of operation which would restore co-operation and provide business for the Wholesale.

The League was incorporated in 1913 under the state corporate law, with two kinds of members. The first, called "Associate" members, paid \$5 admission fee. This entitles the member to the privilege of buying direct small quantities of goods at wholesale prices. Through this associate membership plan it is possible to start work by giving immediate co-operative benefits, such as the people were asking for, and at the same time relieve them from any fear of future liability in case of failure. It was hoped that in course of time the associate membership roll would produce individuals convinced of the economic value of co-operation and desirous of becoming closely committed with it.

The "Full" membership is the second class arranged for in the League's plan. A full member pays \$105, obtains one vote and shares alike in the responsibilities of managing and financial support of the institution. No full members joined at first except the founders.

During the course of four years, over 1,100 associate members have joined the League. This membership has spread all over the northern and central parts of California and even into Nevada. At certain points near San Francisco, local buying clubs have grown up. These so bulk their orders as to secure still greater benefits in the way of prices, freight and delivery charges. The League supplies a large quantity of coal from Eastern mines.

The strict character of the by-laws has compelled considerable self-sacrifice and voluntary work on the part of the founders. The membership capital cannot be used for expenses of any kind, so it was necessary for the incorporators to "dig in" and build up a business in order to pay salaries, rent, etc. The operating expenses on the direct selling and club business has been less than 6 per cent.

Below are given the sales for the past few years, and the amount received in associate membership fees:

	Sales	\$5.00 Membership Fees Paid in	
1913	2,926 60	496 40	} Present total of members over 1,100
1914	39,593 04	1,663.75	
1915	57,746.62	1,590 17	
1916	61,074 24	784 02	
1917 6 months	42,462 34	974.00	
Total	203,802.84		

Of these sales two-thirds are groceries, one-third general merchandise; gross profit, 6 per cent; expense of operation, 5 per cent. The balance is spent on organizing work.

The operation of the League at its central office has not required a stock of goods. Orders have been filled by the Rochdale Wholesale Company, shipped direct to the consumer, but billed to the League. The Wholesale's stock has thus been used, and without this the League's plan would have required considerable capital in order to establish a warehouse stock of its own. Goods that the Wholesale does not handle, such as clothing, furniture, hardware, etc., have been bought by the League from manufacturers and wholesalers in the ordinary way.

Business starting, as has been seen, by selling direct to consumers at wholesale prices, has developed into clubs of buyers in many places. *The present development is toward local stores selling at retail prices on the regular Rochdale plan.* In each case every effort will be made to educate members, and the same principle of earning before spending will be rigidly adhered to in all local branches.

The first store which has grown out of the League work sold \$3,667 worth of goods in the last quarter and made a net profit of \$307. Forty members paid up \$25 each on full membership shares before the store was opened, as the management of the League had decided that forty members and \$1,000 was the minimum requirement for a town of this size. A local Board of Directors, elected by the members, acts as management committee, but the store manager is an employee selected by the central management; he is under their supervision and is bonded. His buying is also turned through the central office for approval and bulked with the general buying for the League.

"It will be seen, therefore," says Mr. Ames, "that the League has been successful in its efforts. It has established on a firm basis a solid and successful co-operative enterprise. Whilst the plan of operation has been changed somewhat from the traditional Rochdale system, yet it has retained the principle which has never been violated.

"The purpose of the Pacific Co-operative League was also to succor the Co-operative Wholesale. This, too, has been accomplished. Co-operators in other states will recognize the tremendous value and urgent need of having their own wholesale house behind them.

"It is impossible to write about the strivings, the sacrifices of the past few years, and of the many dark and doubtful days. The weeks and months, heavy with anxiety and struggle, slowly made up the tale of semi-annual or yearly reports which came to cheer and encourage us. We have surely, if slowly, moved ahead.

"Compared with what is yet to be done, our progress is, of course, slight. Members and clubs must be secured by the thousands. We must revive our co-operative paper, which has been suspended several years.¹ Industries must be organized. Several new stores are on the way.

"We must train up a force of expert co-operative workers, organizers, managers and auditors. This is one of the things co-operators must have. People suitable for co-operative work must be made; they are rarely born.

¹ It has now been decided to re-establish this in January, 1918.

"Perhaps the final work should be one of advice to others. Be willing to start small. Do not despise small beginnings. Make each step self-supporting and pay your way as you go.

Do not seek publicity. Let the work, the satisfied members, talk. Public talk often arouses more opposition than it does support."

Mr. Ames tells us that there are at present about twenty-five stores in California, not all of which, however, buy through the Wholesale.

C. THE NEW ORLEANS UNDERTAKING,

BY N. O. NELSON

Mr. N. O. Nelson, the veteran co-operator, founder of the large co-operative plumbing supply manufactory at Leclaire, Illinois, started a chain of co-operative stores in and about New Orleans a few years ago. This enterprise, Nelson Co-operative Association, Inc., has 61 retail stores, four meat markets, large bakery, pasteurizing milk plant, coffee factory, condiment factory and a 1,500-acre farm.

This interesting and promising enterprise is seeking Rochdale ends, but not quite on Rochdale lines. To begin with, these numerous stores were started with Mr. Nelson's capital in order, we take it, to get the advantage of large volume turn-over showing marked economies before inviting the main capital subscriptions from consumers. The sales are now between two and three million dollars per year and each store grows in business about 15 per cent per year, and new stores are added as occasion offers. To make rapid increase of trade goods are sold at low prices which are expected to yield some surplus over expenses, but hardly justify dividend on purchases. Stock is now offered to consumers, the plan being to distribute the ownership and make the organization democratic.

A thing of special interest which Mr. Nelson is doing is to demonstrate at how low an expense goods can be passed from producer to consumer. Some of his stores are run at as low as six per cent on sales, not including warehouse and general office expenses. It is Mr. Nelson's hope to reduce all expense to ten

per cent of sales. If this is done it will be a gratifying achievement. This will not include delivery, but will practically include wholesaling and will probably mean a net saving to consumers of at least 20 per cent on retail price. From a letter from Mr. Nelson dated September 29, 1917, I take the liberty of quoting the following:

"Consumers' co-operation depends entirely on the consumer. There is nothing in the wide world so perfectly open to people to act for themselves and save 15% to 25% on their cost of living.

"All the European countries are doing it on an enormous scale, running into millions of members and hundreds of millions of sales, now over a billion in Great Britain alone, and it has grown more during the war than ever before, in Russia more than anywhere.

"It is mere indifference and carelessness that has kept it from developing in the United States; we shall come to it, but Americans are averse to anything so commonplace and commonsense as a co-operative store or a co-operative factory."

D. AROUND PITTSBURGH

The Tri-State Association embraces about a dozen stores in Pennsylvania, Ohio and West Virginia, some of which do a business of \$120,000 per year or more. Among these are some live workers and it is hoped they may make a success of their present endeavor to unite for wholesale dealing to save on the cost of at least a part of their purchases.

E. AMONG THE ILLINOIS MINERS

Of the third annual convention of the Central States Co-operative Society held at Stanton, Illinois, September 9, 10 and 11, 1917, Dr. J. P. Warbasse, president of the Co-operative League of America, writes enthusiastically in the *Co-Operative Consumer* for September. Dr. Warbasse reports that there are fifty co-operative store societies in Illinois composed mostly of miners, and that these are now taking active steps to form a

co-operative wholesale society at Springfield. The Doctor is much impressed by keenness and evident business ability of the miners who took part in the convention and believes this, with the earnestness with which they are going forward means much for the future of co-operative buying and production. This faith is strengthened by consideration of the many achievements of some of the local societies in the way of erecting buildings, giving mutual aid and so on. There seems to be here much of the kind of social and mutual welfare work which characterizes co-operation in Belgium and some other European countries.

F. THE MOVEMENT IN THE NORTH WESTERN STATES

Some eight years ago there was formed in Minneapolis what was called the "Right Relationship League" for the purpose of promoting co-operative societies. This organization planted, we believe, nearly two hundred stores. Their plans were to go into a town, get an option on a store with agreement to pay the organizer a commission in case of sale. They then started out to get members to buy shares, usually at \$100 each.

This plan has been criticised as too commercial. However, the form of organization appears to be strictly in accordance with Rochdale principles except, perhaps, leaving much to be desired as to assurance that adequate education in Rochdale principles and promotion of co-operative spirit will be carried on among members. We are glad to present the following from Mr. Tousley who was one of the founders of the Right Relationship League, now no longer in existence.

CONSUMERS' CO-OPERATION AND PROSPECTS

BY E. M. TOUSLEY

AMERICAN ROCHDALE LEAGUE

The consumers' co-operative store movement of the Northwest has made some rapid strides during the past year. The American Rochdale League has organized some ten Rochdale

stores in North and South Dakota. The following are some conservative figures for these stores:

Membership, 944; paid in capital, \$151,800.00; the annual sales will aggregate between \$900,000.00 and \$1,000,000.00. All except one are being audited monthly by the auditing department of the League. The figures reported as to expenses and gross earnings would indicate that all of them will have a nice balance on the right side of the ledger at the end of the year, and there is a strong tendency to get together in their buying.

One of the greatest weaknesses in farmers' co-operative stores in the Northwest in past years has been that of the credit system. While the by-laws adopted invariably call for the business to be transacted upon a basis of cash or its equivalent, a great many of the stores in the country towns have broken the rule. The League has endeavored to arrange a system to abolish this evil, and to get the people to use it.

The new plan calls for the stockholders and customers to deposit cash in advance for their needs for a month, borrowing the money at the bank at the going rate of interest, if necessary. The store then furnishes each customer with a (merchandise) check book, which the customers use on the same principle as a bank check book, the store returning the cancelled checks and a statement of account at the end of each month, allowing a 2% discount for all cash deposited in advance. This discount more than pays the interest on the sums borrowed by the customers at the bank. If the customer's financial standing is not good enough to get the money at the bank, there is no reason why the store should trust him. This plan has worked out well wherever tried, but space will not permit a full description of all details.

So far as can be learned there has possibly been organized upwards of 50 stores during the past year in the states north and west of Illinois. These, together with some 300 or more stores previously in existence, shows the demand for co-operation in the West and its healthy growth. These stores are doing an annual business of several millions of dollars with net earnings running into the hundreds of thousands of dollars. In these

strenuous war times when the government is calling for economy in all directions and imploring middlemen to volunteer to cease their exploitation of the consumers, it does not require the eye of a prophet to see that if these stores would get together in the ownership and operation of their own jobbing and wholesale agencies, a very large additional percentage could be saved to the people and be available for investment in war bonds, or food and fuel necessities, rather than dissipated in competitive waste or selfishly accumulated in the hands of the middlemen.

Developments along the lines of agricultural co-operation during the past year have been even more active than the store movement. The County Agent Movement under the supervision of the Government, the states and the counties, is becoming very extensive and effective. The activities of the county agents, farmers' clubs, and the local units of various other farmer organizations are rapidly covering the entire country. The only regrettable feature about the situation is that so many of these organizations are antagonistic to each other, except the county agent movement, rather than co-operating with each other. It is to be hoped that some day personal aggrandizement and selfishness may be buried so deeply that the names of these various organizations may be forgotten, and the people all get together for effective work in genuinely co-operating in both the marketing of farm products and supplying the needs of consumers; also in bringing the agricultural co-operative producers of the West into direct business contact with the consumers of the whole country. However, the agricultural interests are further advanced in co-operative organization than are the consumers of the large cities. The latter should make every endeavor to catch up.

LEGISLATION

During the past winter the Legislature of the State of North Dakota improved its co-operative law materially by passing a new statute, House Bill Number Ninety-Nine. This law follows quite closely the co-operative law of Wisconsin, passed

in 1911, of which latter law the writer is the author.¹ Perhaps no serious criticism of this law can be made except that which may be made of the co-operative laws passed by various other states during the past few years, which limits the amount of stock which a single individual may own to \$1,000.00. Such a limitation should be in no co-operative law. With the vote limited to one per stockholder and the earnings divided in proportion to patronage, after allowing a reasonable rate on capital invested, there is no reason whatever for limiting the investment of individuals. If a man possesses enough co-operative spirit to be willing to invest \$2,000.00 or \$5,000.00 or \$10,000.00, why not let him invest it as an aid to the co-operative movement, inasmuch as past experience shows that many failures have been caused on account of a lack of sufficient working capital.

The prospect: On the whole the prospect for the future of consumers' co-operation in this section is brighter than for some years. The people themselves are beginning to think and to draw lessons from experiences of the past, the most valuable ones being from failures of various sorts.

Nevertheless, it seems to me that co-operative endeavor in the store line has reached out and is now passing through somewhat of a crisis. Democracy in business in America is on trial. It has powerful and insidious opponents, within and without. So far the co-operative store people have utterly failed to establish any sort of a wholesale on a sound, practicable business basis. Does this prove that "Democracy in business" in America is futile? At least futile in its endeavors to take any but the first step toward the goal it must attain if it is to become effective and permanent? There are now possibly more than one thousand co-operatives stores in the country, but with the exception of some contract buying, or the buying of small job lots of groceries, or an occasional carload of staple stuff, these stores have not only failed to unite, but in a majority of cases, each one is in ignorance of the existence of the others. Efforts to federate them in their buying capacity have been met with either suspicion of each other and of the motives of the leaders, selfishness and ignorance on the part of local managers, financial

¹ See Appendix III.

APPENDIX II

SAMPLE LAW; CERTIFICATE OF INCORPORATION AND BY-LAWS

A. WISCONSIN CO-OPERATIVE LAW

CHAPTER 368, LAWS OF 1911

An Act to create sections 1786e-1 to 1786e-17, inclusive, of the statutes, relating to the incorporation of co-operative associations, and the fees to be paid therefor.

The people of the State of Wisconsin, represented in Senate and Assembly, do enact as follows:

Section 1. There are added to the statutes seventeen new sections to read: Section 1786e-1. Any number of persons, not less than five, may associate themselves as a co-operative association, society, company, or exchange, for the purpose of conducting any agricultural, dairy, mercantile, mining, manufacturing or mechanical business on the co-operative plan. For the purposes of this act, the words "association," "company," "corporation," "exchange," "society," or "union," shall be construed to mean the same.

Section 1786e-2. They shall sign and acknowledge written articles which shall contain the name of said association and the names and residences of the persons forming the same. Such articles shall also contain a statement of the purpose of the association and shall designate the city, town or village where its principal place of business shall be located. Said articles shall also state the amount of capital stock, the number of shares and the par value of each.

FILING

Section 1786e-3. The original articles of incorporation organized under this act or a true copy thereof, verified as such

by the affidavits of two of the signers thereof, shall be filed with the secretary of state. A like verified copy of such articles and certificates of the secretary of state, showing the date when such articles were filed with and accepted by the secretary of state, within thirty days of such filing and acceptance shall be filed with and recorded by the register of deeds of the county in which the principal place of business of the corporation is to be located, and no corporation shall, until such articles be left for record, have legal existence. The register of deeds shall forthwith transmit to the secretary of state a certificate stating the time when such copy was recorded. Upon receipt of such certificate the secretary of state shall issue a certificate of incorporation.

Section 1786e-4. For filing of articles of incorporation of corporations organized under this act, there shall be paid the secretary of state ten dollars and for the filing of an amendment to such articles, five dollars. For recording copy of such articles the register of deeds shall receive a fee of twenty-five cents to be paid by the person presenting such papers for record.

Section 1786e-5. Every such association shall be managed by a board of not less than five directors. The directors shall be elected by and from the stockholders of the association at such time and for such term of office as the by-laws may prescribe, and shall hold office for time for which elected and until their successors are elected and shall enter upon the discharge of their duties; but a majority of the stockholders shall have the power at any regular or special stockholders' meeting, legally called, to remove any director or officer for cause, and fill the vacancy, and thereupon the director, or officer so removed shall cease to be a director of said association. The officers of every such association shall be a president, one or more vice-presidents, a secretary and a treasurer, who shall be elected annually by the directors, and each of said officers must be a director of the association. The office of secretary and treasurer may be combined, and when so combined the person filling the office shall be secretary-treasurer.

Section 1786e-6. The association may amend its articles of incorporation by a majority vote of its stockholders at any regu-

lar stockholders' meeting, or at any special stockholders' meeting called for that purpose, on ten days' notice to the stockholders. Said power to amend shall include the power to increase or diminish the amount of capital stock and the number of shares. Provided, the amount of the capital stock shall not be diminished below the amount of paid-up capital at time amendment is adopted. Within thirty days after the adoption of an amendment to its articles of incorporation, an association shall cause a copy of such amendment adopted to be recorded in the office of the secretary of state and of the register of deeds of the county where the principal place of business is located.

Section 1786e-7. An association created under this act shall have power to conduct any agricultural, dairy, mercantile, mining, manufacturing or mechanical business, on the co-operative plan and may buy, sell and deal in the products of any other co-operative company heretofore organized or hereafter organized under the provisions of this act.

LIMITATION OF INVESTMENT AND VOTING POWERS

Section 1786e-8. No stockholder in any such association shall own shares of a greater par value than one thousand dollars, except as hereinafter provided, or be entitled to more than one vote.

Section 1786e-9. At any regular meeting, or any regularly called special meeting, at which at least a majority of all its stockholders shall be present, or represented, an association organized under this act may, by a majority vote of the stockholders present or represented, subscribe for shares and invest its reserve fund, or not to exceed twenty-five per cent of its capital, in the capital stock of any other co-operative association.

Section 1786e-10. Whenever an association, created under this act, shall purchase the business of another association, person or persons, it may pay for the same in whole or in part by issuing to the selling association or person, shares of its capital stock to an amount, which at par value would equal the fair market value of the business so purchased, and in such case the transfer to the association of such business at such

valuation shall be equivalent to payment in cash for the shares of stock so issued.

Section 1786e-11. In case the cash value of such purchased business exceeds one thousand dollars, the directors of the association are authorized to hold the shares in excess of one thousand dollars in trust for the vendor and dispose of the same to such persons, and within such times as may be mutually satisfactory to the parties in interest, and to pay the proceeds thereof as currently received to the former owner of said business. Certificates of stock shall not be issued to any subscriber until fully paid, but the by-laws of the association may allow subscribers to vote as stockholders; provided, part of the stock subscribed for has been paid in cash.

Section 1786e-12. At any regularly called general or special meeting of the stockholders, a written vote received by mail from any absent stockholder and signed by him may be read in such meeting and shall be equivalent to a vote of each of the stockholders so signing; provided, he has been previously notified in writing of the exact motion or resolution upon which such vote is taken and a copy of same is forwarded with and attached to the vote so mailed by him.

DIVISION OF PROFITS

Section 1786e-13. The directors, subject to revisions by the association at any general or special meeting, shall apportion the earnings by first paying dividends on the paid-up capital stock not exceeding six per cent per annum, then setting aside not less than ten per cent of the net profits for a reserve fund until an amount has accumulated in said reserve fund equal to thirty per cent of the paid-up capital stock, and five per cent thereof for an educational fund to be used in teaching co-operation, and the remainder of said net profits by uniform dividend upon the amount of purchases of shareholders and upon the wages and salaries of employes, and one-half of such uniform dividend to non-shareholders on the amount of their purchases, which may be credited to the account of such non-shareholders on account of capital stock of the association; but in productive association such as creameries, canneries, elevators, factories

and the like, dividends shall be on raw material delivered instead of on goods purchased. In case the association is both a selling and a productive concern, the dividends may be both on raw material delivered and on goods purchased by patrons.

Section 1786e-14. The profits or net earnings of such association shall be distributed to those entitled thereto, at such times as the by-laws shall prescribe, which shall be as often as once in twelve months. If such association, for five consecutive years shall fail to declare a dividend upon the shares of its paid-up capital, five or more stockholders, by petition, setting forth such fact, may apply to the circuit court of the county, wherein is situated its principal place of business in this state, for its dissolution. If, upon hearing, the allegations of the petition are found to be true, the court may adjudge a dissolution of the association.

ANNUAL REPORTS

Section 1786e-15. Every association organized under the terms of this act shall annually, on or before the first day of March of each year, make a report to the secretary of state; such report shall contain the name of the company, its principal place of business in this state, and generally a statement as to its business, showing total amount of business transacted, amount of capital stock subscribed for and paid in, number of stockholders, total expenses of operation, amount of indebtedness or liabilities; and its profits and losses.

Section 1786e-16. All co-operative corporations, companies, or associations heretofore organized and doing business under prior statutes, or which have attempted to so organize and do business, shall have the benefit of all of the provisions of this act, and be bound thereby on filing with the secretary of state a written declaration signed and sworn to by the president and secretary to the effect that said co-operative company or association has by a majority vote of its stockholders decided to accept the benefits of and to be bound by the provisions of this act. No association organized under this act shall be required to do or perform anything not specifically required herein, in order to become a corporation or to continue its business as such.

PROHIBITING COUNTERFEITS

Section 1786e-17. No corporation or association hereafter organized or doing business for profit in this state shall be entitled to use the term "co-operative" as part of its corporate or other business name or title, unless it has complied with the provisions of this act; and any corporation or association violating the provisions of this section may be enjoined from doing business under such name at the instance of any stockholder of any association legally organized hereunder.

Section 2. This act shall take effect and be in force from and after its passage and publication.

B. CERTIFICATE OF INCORPORATION ¹

We, the undersigned, for the purpose of forming a corporation under and pursuant to an act of the Legislature of the State of New Jersey, entitled, "An Act to Provide for the Formation and Regulation of Co-operative Societies of Working-men," approved March 10th, 1884, and the acts amendatory thereof, and supplemental thereto, do hereby certify as follows:

First: The names assumed to designate such society and to be used in its business and dealings is Co-operative Society.

Second: The place or places in this state where the business of such society is to be conducted are the Town of _____, and other municipalities in the County of _____, and adjoining counties. The location of the principal office is at No. _____, Avenue, in said _____, and _____ is the agent in charge thereof.

Third: The objects for which the society is formed are, the trading and dealing in goods, wares, merchandise and chattels, and the carrying on in connection therewith of any lawful mechanical, manufacturing, or trading business.

Fourth: The total amount of capital stock of such society is One hundred thousand (\$100,000) Dollars. The number of shares into which the same is divided is Ten thousand (10,000).

¹ The certificate of a society organized under the New Jersey Law.

The par value of each share is Ten (\$10) dollars. The shares may be paid for in full at the time of subscription or by instalments. If paid for by instalments there shall be paid in cash not less than Two (\$2) Dollars on each share at the time of subscription, and not less than One (\$1) Dollar per month thereafter. Provided, however, that no person shall at any time hold more than one share on which any instalment shall be unpaid. No person shall at any time hold more than one hundred (100) shares. The number of shares subscribed is thirty-five (35), and the amount actually paid in cash on account of the same is Three hundred and fifty (\$350) Dollars.

Fifth: Members shall be admitted only upon being proposed and seconded by existing members, and accepted by vote of the Board of Directors.

Sixth: The profits shall at the end of each calendar year be applied as follows:

1. A sum equal to five (5%) per centum of the net profits shall be annually appropriated for a contingent or sinking fund, and such appropriation shall continue to be annually made until there shall be accumulated a sum equal to thirty (30%) per centum of the capital stock of the society, and as much longer as the Board of Directors shall see fit.

2. A dividend at the rate of six (6%) per cent per annum shall then next be paid upon all the shares of stock which have been outstanding and fully paid during the whole of the calendar year, and one-half such amount upon shares which have been outstanding and fully paid during the last half of the calendar year. Such dividend shall be cumulative, but may be deferred in the judgment of the Board of Directors.

3. After the foregoing provisions have been made for such contingent or sinking fund and for such cumulative dividends the Board of Directors shall declare out of the remaining profits a dividend to the shareholders not in arrears upon the instalments on their shares in proportion to the purchases made by such shareholders during the past year. The directors may at the same time declare a dividend at not exceeding one-half the rate paid upon the purchases of the members of the society, to non-members of the society in proportion to the amount of their

respective purchases. The Board of Directors may limit the participation in such dividends to any class or classes of purchases, and may provide that other classes of purchases shall be non-participating.

4. The rate of dividend on shareholders' purchases shall be a whole number per cent to be ascertained by dividing the profits applicable thereto by the amount of participating purchases of shareholders, plus twice the amount of participating purchases of non-shareholders, and disregarding the fractional remainder, which fractional remainder, and remaining profits, if any, shall be added to the surplus of the society.

Seventh: The certificate of association may be amended in the manner provided by the General Corporation Act of the state for amendments and changes after organization of corporations organized thereunder, so far as the same may be applicable thereto, provided, however, certificates of such amendments and changes shall be filed in every office where the original certificate of association shall have been filed.

The By-Laws of the society may be altered and amended by vote of a majority of those present, being a quorum as provided in the By-Laws, at any meeting of the stockholders provided one (1) week's notice by mail has been given, such notice to state in full the language of the proposed amendment.

In witness whereof, we have hereunto set our hands and seals this day of March, 1912.

In presence of:

(N. J. acknowledgment.)

C. BY-LAWS ¹

ARTICLE I

NAME

Section 1. The name of this corporation shall be the Co-operative Society, and such name shall be kept painted or affixed on the outside of every office or place in which the business

¹ The by-laws of a society organized under the New Jersey Law.

of the Society is carried on in a conspicuous position in letters easily legible.

Section 2. The registered office of this Society shall be at No. , Avenue, and notice of any change in such office shall be filed in the offices in which the original certificate of incorporation is filed.

ARTICLE II

MEETINGS

Section 1. *Annual.* The annual meeting of the Society shall be held on the second Saturday in the month of March at 8 P. M., at such place as the board of directors may appoint, or if no appointment be made, at the registered office of the Society.

Section 2. *Special.* A special meeting of the Society may be called by the board of directors, or on the written petition of ten per cent in number of the stockholders. One week's notice shall be given in either case, and every call shall clearly set forth the object of the special meeting, and no business other than that set forth in the call shall be transacted at such special meeting.

Section 3. *Right to vote.* Every stockholder not in arrears upon the payment of dues or otherwise indebted to the Society shall be entitled to one vote irrespective of the number of shares held by him. No proxies shall be allowed in voting.

Section 4. *Quorum.* Ten per cent in number of the stockholders, but in no case less than five persons, shall constitute a quorum.

Section 5. *Directors' meetings.* The Board of Directors shall hold regular monthly meetings at such times as they may by resolution appoint, and may hold special meetings upon a call of the president or any two directors of which two days' notice shall be given. A majority of the directors shall constitute a quorum.

ARTICLE III

Section 1. The corporate powers of this Society shall be vested in a board of nine (9) directors, except such powers as are or may be reserved by statute, by the certificate of incor-

poration, or by these by-laws to be exercised by the Society as a whole.

Section 2. The directors shall be chosen by the stockholders at the annual meeting. Upon demand of one-tenth of the stockholders present the election shall be held by cumulative voting.

Section 3. *Officers.* The Board of Directors shall elect from their own number a president, a vice-president and a treasurer, and shall also appoint from their own number or from the general membership a secretary and shall have power to fill vacancies in the Board of Directors to serve until the next annual meeting, and may without restriction appoint such other officers, agents or factors as they may see fit, and shall fix the powers and duties of all officers, agents and factors except as otherwise provided in these by-laws.

Section 4. *Duties of officers, the President.* The President shall preside at the meetings of the company and at the meetings of the Board of Directors; he shall sign all notes, contracts, conveyances and agreements that the Board of Directors may by resolution require him to sign and also a correct copy of the minutes of the proceedings of the meetings of the company and of the Board of Directors. He shall represent this corporation at the meetings of any corporation in which it may hold stock, and cast the votes therein to which this company may be entitled. He shall have custody of the bonds of all officers and employees under bond.

Vice-President. In the absence or inability of the President, the Vice-President shall preside and perform the duties of the President.

Secretary. The Secretary shall keep a full record of all the proceedings of the shareholders, and of the Board of Directors, in proper books. He shall countersign all notes, contracts, conveyances, and agreements, and, generally, shall perform all duties the Board of Directors may require.

The Secretary shall prepare an alphabetical list of all stockholders to go on the nominating ballot to be voted by mail, and shall call the Board of Directors together in due season to prepare a report on nominations to be presented to the annual election and meeting of the company, at which time the stock-

holders shall elect their officers from nominations so made, at least one day before the annual meeting is to be held, showing the names of the ten stockholders who have received the most nominating votes.

He shall make a report of the attendance of the members of the Board, showing how many meetings held and how many each member attended, and cause the same to be posted in the store during the month of January of each year.

He shall also make a report to the annual stockholders' meeting showing the total expense involved in the holding of the meetings of the Board of Directors.

Treasurer. The treasurer shall have the custody of the funds and investments of the Society other than such moneys and property as may, by the Board of Directors, be entrusted to other officers and employes. He shall cause the moneys in his custody to be deposited in the name of the Society in such banking institutions as the Board of Directors may order. He shall present monthly financial reports to the Board of Directors and annual reports to the stockholders' meeting and shall have such other duties and powers as may be ordered by the Board of Directors.

Section 5. *Notices.* Notices of all meetings and matters may be sent by mail to the last post office address registered with the Society by the shareholder.

ARTICLE IV

LIMITATION OF PROPERTY

Section 1. The real and personal estate of the Society shall not exceed one hundred and fifty thousand (\$150,000) dollars.

ARTICLE V

TRANSFER OF SHARES

Section 1. No person shall be admitted as shareholder of the Society, nor shall any shares be transferred to him until his name has been proposed and seconded by existing members and accepted by a vote of the Board of Directors. Any share

may be transferred to an existing member, or to a person so accepted. All transfers of shares must be made on the books of the Society by surrendering the old certificate and issuing new certificates in the name of the purchaser, who by acceptance thereof agrees to all by-laws and rules of the Society, including also all amendments theretofore or thereafter adopted, and thereby becomes a member of the Society. No shares can be transferred until all claims of this Society against the owner of such shares shall have been paid.

Section 2. If any shareholder desires to dispose of any share he shall first offer to sell the same to the Society. If the Society declines to purchase he may find a purchaser acceptable to the Society as above provided. The Board of Directors is authorized to purchase any share or shares out of the surplus of the Society.

The issue and transfer of all shares shall be registered on the books of the Society.

ARTICLE VI

WITHDRAWALS

Section 1. Members may withdraw from the Society by selling and transferring their shares as herein provided.

ARTICLE VII

INVESTMENTS

Section 1. The Board of Directors may invest not exceeding thirty per cent of the capital in or on security of other societies or corporations through which its products are disposed of, or its supplies secured, provided that not more than ten per cent thereof be invested in any one such society or corporation.

ARTICLE VIII

Section 1. No credit shall be given in any sale of the Society's goods at retail but every such transaction shall be for cash.

In purchasing goods the Society may, subject to rules to be made by the Board of Directors, take such time of payment not exceeding thirty (30) days as may be usual in the trade.

Credit shall not be given or taken in any other business transaction without special vote of the Board of Directors.

The Society may borrow money and give its note therefor whenever authorized by the special vote of a majority of the whole Board of Directors. The Society may by special vote of the Board of Directors mortgage any real estate which it may own, and may give its note or bond in connection with any such mortgage.

ARTICLE IX

BONDS OF OFFICERS AND AGENTS

Section 1. The treasurer and other fiduciary officers and agents shall each give a bond with corporate surety, to be paid for by the Society, for the faithful performance of their respective duties, and to account for, and return all moneys and property of the Society which may come into their hands. The amount of such bonds shall be fixed in each case from time to time by the Board of Directors.

ARTICLE X

AUDIT

Section 1. The accounts shall be audited at least annually, and as much oftener as the Board of Directors may from time to time order, by or under the direction of an auditing committee of three shareholders to be elected by the shareholders at the annual meeting.

ARTICLE XI

DISTRIBUTION OF PROFITS

Section 1. At the end of each calendar year the net profits of such year shall be applied and distributed as follows:

1. A sum equal to five (5%) per centum of the net profits shall be annually appropriated for a contingent or sinking fund, and such appropriation shall continue to be annually made until there shall be accumulated a sum equal to thirty (30%) per

centum of the capital stock of the Society, and as much longer as the Board of Directors shall see fit.

Section 2. A dividend at the rate of six (6%) per cent per annum shall then next be paid upon all shares of stock which have been outstanding and fully paid during the whole of the calendar year except that for the year 1912 dividends may be computed on shares fully paid May 1st, 1912, and one-half such amount upon shares which have been outstanding and paid during the last half of the calendar year. Such dividends shall be cumulative, but may be deferred in the judgment of the Board of Directors.

Section 3. After the foregoing provisions have been made for such contingent or sinking fund, for such cumulative dividends, the Board of Directors shall declare out of the remaining profits a dividend to the shareholders not in arrears upon the instalments on their shares in proportion to the purchases made by such shareholders during the past year. The Directors may at the same time declare a dividend at not exceeding one-half the rate paid upon the purchases of the members of the Society, to non-members of the Society, in proportion to the amount of their respective purchases. The Board of Directors may in either case limit the participation in such dividends to any class or classes of purchases, and may provide that other classes of purchases shall be non-participating. The Board may make such classifications not only according to the kind of goods purchased, on the basis and manner of payment therefor, but also according to such rules as they may establish for keeping sales records and for the presentation of vouchers and evidences of right to participate.

Section 4. The rate of dividend to shareholders shall be a whole number per cent to be ascertained by dividing the net profits not appropriated to the contingent or sinking fund, or to dividends on capital, as above provided, by the amount of participating purchases of shareholders, plus one-half the amount of participating purchases, if any, of non-shareholders, and disregarding the fractional remainder, which fractional remainder, if any, shall be added to the surplus of the Society.

Section 5. All moneys credited, whether by way of dividends

or otherwise, to any shareholder who shall be in arrears to the Society upon payment of instalments on shares or otherwise, shall be applied to such arrearages until the same be fully paid.

ARTICLE XII

SEAL

Section 1. The seal of the Society shall contain the name of the Society between two concentric circles, and in the center shall be "New Jersey—1912" and such seal is hereby adopted as the seal of the Society. Such seal shall be kept by the Secretary and shall be affixed to certificates of stock, but not to any instrument except by special order of the Board of Directors.

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